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Latin America Report

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22 SEPTEMBER 1986

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INTER-AMERICAN AFFAIRS

ARGENTINE-BRAZILIAN INTEGRATION EFFORTS HIGHLIGHTED

Sarney on Motives

Buenos Aires SOMOS in Spanish 30 Jul 86 pp 12-16

[Interview with Brazilian President Jose Sarney by Ruben Correa in Brasilia on 24 Jul 86: "Rivalry Is Over"; passages enclosed in slantlines printed in italics]

[Text] On 15 March 1985, zero hour for the New Republic, the man who had staked almost everything on the reestablishment of Brazilian democracy, Tancredo Neves, fell into the hands of fate. From then until 29 April when Tancredo died, vice president Jose Sarney had the delicate responsibility of temporarily administering the country without closing off options to the president. When Tancredo died, Sarney inherited a political, economic, and social situation not to be envied by any politician. Sarney had commanded ARENA [Nationalist Renewal Alliance] for 1 year and the PDS [Social Democratic Party] for 4 years. These successive groups backed the military process for 20 years. He had to work first to win the reluctant confidence of his old adversaries in the PMDB [Brazilian Democratic Movement Party], eventually allied in the unstable AD [Democratic Alliance].

Alternately using caution and boldness to translate his political legitimacy into a broader representativeness in a country that, despite problems, continues to rapidly increase its wealth, Sarney touched up the Brazilian diplomatic tradition of recent decades. The president has said repeatedly: "We said that we were brothers to the countries of Latin America but always offhandedly." He stated that he is now practicing sincerity in his foreign policy toward his neighbors. The men who hold the reins at Itamaraty today indicate that the example of that turnabout is the new rapprochement with Argentina. The proof that "it is serious" is the "prudence" with which that business and political association is being implemented.

On Thursday, 24 July, 4 days before arriving in Buenos Aires, his mind was already on his second summit meeting in 8 months with Raul Alfonsin. Sarney met in Brasilia with two special correspondents from SOMOS in the midst of the euphoria and debate unleashed by a system of required savings that, in 3 years, aims to fulfill the dream of investing \$100 billion. Part of those funds will be used to calm a social cauldron of 30 million /underprivileged/

who, according to Sarney himself, make Brazil--/which is the eighth largest economic power in the West based on GDP/--50th according to social indicators. In the interview, Sarney talked about the main challenges for his government and about the possible different--and joint--future for Argentina and Brazil.

[Question] How would you summarize the main political challenges that the Brazilian democracy must overcome to consolidate itself and spread the benefits of economic development?

[Answer] The government of the New Republic proposed /to change Brazil/ which means reform it, modernize it, reduce social and regional disparities, meet the needs for food, health, education, and housing, make the state machinery more efficient, invest in infrastructure, and make room for private producers in the rural sector, industry, and services.

The main political challenges include the need to /modernize the state/ in order to adapt it to administer the social programs. This is imperative in order to efficiently and austere meet the demands imposed by the sociopolitical transformation which occurred because of the transition from authoritarianism to an open and participative society. The institutional and legal reorganization that the National Constitutional Assembly is preparing to undertake is, of course, another important challenge in the process of democratic normalization and in the preparation of bases for the Brazil of the future. Another very important matter is implementation of the agrarian reform.

[Question] How will the Cruzado Plan make it possible to insure economic stability and continued growth?

[Answer] The arrest of the inflationary process is a premise and prerequisite for economic growth. Monetary stability permits investment planning and budgeting. It makes it possible to maintain the financial capability of the public sector and, at the same time, redirect private resources from speculative activities to productive ones. Those effects are already being seen in the economy. With the measures that I have just announced to limit excessive consumption of luxury goods and stimulate savings, we will have a significant increase in resources for government and private investments. Therefore, growth with price stability will be insured.

[Question] How will your government resolve the pressures about the Cruzado Plan from the business sector, the unions, and the opposition parties?

[Answer] Open and responsible dialogue among the agents involved--capital, labor, the state--is the best way to resolve impasses and conflicts. Also popular support for the government measures counterbalances radicalism and the purely ideological positions which are committed to short-term group interests.

[Question] Why has your government placed so much emphasis on integration with Argentina?

[Answer] In the first place, it must be pointed out that Brazil and Argentina are not only neighbors, but the two largest and most economically complex countries in South America. Integration is, therefore, the natural road for two countries with those characteristics which have already solved their bilateral disputes. Therefore, the project of integration with Argentina responds to the manifest interest of both governments and is politically and economically important. Politically, it should help improve the good relations and consolidate the two democracies. Economically, it will expand the production scale of the two economies, generate more jobs, and reduce costs. All that will help increase the effectiveness of their respective plans for economic stabilization. I think we are experiencing the best period of relations between Brazil and Argentina, especially due to the happy coincidence of the restoration of democracy.

[Question] How will the political and economic benefits of that integration be distributed?

[Answer] In the integration that we propose, the political and economic benefits will interact. Therefore, to the extent that we intensify cooperation in countless areas like agriculture, industry, and strategic sectors or those that use modern technologies, we will be expanding the possibilities of economic and social development for Brazil and Argentina. This will also contribute to greater stability and continued improvement of the democratic system in both countries.

Trade Between Argentina and Brazil by Category of Product (1980-1984)
Argentine Exports, Imports

<u>Exports</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>
Basic products	64.7%	40.8%	58.1%	44.6%	48.7%
Industrialized products	35.3%	59.2%	41.9%	55.4%	51.3%
Semimanufactured products	3.7%	6.9%	10.5%	21.7%	24.6%
Manufactured products	31.6%	52.3%	31.4%	33.7%	26.7%
<u>Imports</u>					
Basic Products	17.1%	17.9%	22.2%	17.4%	16.4%
Industrialized products	82.9%	82.0%	77.7%	82.6%	83.6%
Semimanufactured products	10.3%	7.8%	11.7%	10.2%	16.2%
Manufactured products	72.6%	74.2%	66.0%	72.4%	67.4%
Special transactions	0.0%	0.1%	0.1%	0.0%	0.0%

Source: CACEX [Foreign Trade Department], Bank of Brazil

[Question] How would you define the political objectives of integration: preparation for self-sufficiency or a way to end isolation and not lose the race for the future?

[Answer] In today's world, and especially in the world of the future, there is less and less room for self-sufficiency. At the same time, complete domination of certain modern technologies and their application to production will become indispensable if a nation aspires to true independence. The combined capabilities of Argentines and Brazilians will facilitate development and domination of those technologies. The process of integration between Argentina and Brazil will also unquestionably reduce their vulnerability and dependence on the rest of the world. This establishes the conditions to acquire greater autonomy in decision-making facing possible unfavorable external situations. Within this context, integration is a very important element in order /not to lose the race for the future/.

[Question] Do you think that after Argentine-Brazilian complementation, the two countries will be in the position to effectively agree on large technological development projects like the Eureka Plan and the Star Wars? What does that possibility depend on?

[Answer] The attempted program of integration and economic complementation responds, first of all, to the need we feel to expand our capacity for self-sustained economic and social development oriented toward the well-being of our peoples. I am sure that this program will contribute to the consolidation of peace, democracy, security, and development in Latin America. We have not yet considered agreement on projects which have implications and commitments outside of our region.

[Question] Doesn't the political determination of the two presidents to produce integration run the risk of becoming only political determination? How can integration be completed?

[Answer] What we have been doing since the Iguazu agreements and now with the Buenos Aires agreements is looking for mechanisms so that our countries can carry out their political determination. Brazil does not have any demand, just the desire for cooperation and greater integration. Argentina is a country that is in an exceptional position in Latin America today. The friendship and cooperation between our two countries are necessary because of the advanced stage of our economies. As neighbors--and this can be said not only about Argentina but the rest of Latin America--Brazil has always had a policy of a lot of talk. We were brothers but always offhandedly. Now we are trying to be real brothers. Therefore, our priority is our relationship with Latin America. We want to change from words to deeds.

[Question] Given that political determination which should become concrete in economic deeds and given the similarity of the two plans being carried out--the Austral Plan and the Cruzado Plan--how will complementation affect the success of the two economic policies?

[Answer] Inflation has always been the enemy of the institutions in Latin America because it has always hurt the best hopes for democratization. It has almost always exacerbated social problems. The Brazilian and Argentine experiences with this phenomenon are similar. Inflation is perverse because it affects the working classes, the lower classes, more. This common

experience makes the Austral Plan and the Cruzado Plan coincide in the fight against inflation. Inflation always brings problems for growth and there is no solution without economic growth.

[Question] What problems do you see in making integration concrete? Wouldn't one of those problems be the unequal power of the two countries: Brazil among the top 8 countries and Argentina among the top 40?

[Answer] The fact that the economies of Argentina and Brazil are not homogeneous favors integration instead of hindering it. It permits both countries to benefit from the process from the very beginning. Another important aspect is that we are looking at integration within a context of growth for both economies which will expand opportunities for the economic agents of both countries.

[Question] Isn't it possible that one country will benefit from integration more than the other? Does it seem to you that the existence of democracy is enough to overcome the obstacles?

[Answer] As I said, the essential requirements for economic integration are the relative homogeneity and complementariness of the partners. Those characteristics exist in Brazil and Argentina. The fact that we have different dimensions is unimportant compared to those characteristics and will become even more unimportant as we create an even broader common economic program by promoting integration. One of the basic premises of the program of cooperation and economic integration will be balance and symmetry--that is, the benefits that integration will bring must be balanced and symmetrical.

[Question] What steps must be taken after Buenos Aires in order to advance toward integration?

[Answer] The Buenos Aires agreements as well as the protocols that establish the mechanisms to carry out the programs are not just declarations of intent without concrete measures. On the contrary, they will have positive short-term effects like the vigorous expansion of bilateral trade on balanced terms. The program will be constantly evaluated by a high-level commission formed by four Argentine ministers and four Brazilian ones. It will propose measures to insure the continuity of the process of integration.

[Question] How can the traditional "competition" or "rivalry" between Brazil and Argentina be buried overnight by the integration that is beginning?

[Answer] What is called /traditional rivalry/ between Brazil and Argentina was buried some time ago. In the first place, it was buried due to the increasing awareness, almost consensual in the two countries today, that this rivalry must not be a rational objective for Brazil or Argentina because it is not advantageous but disadvantageous. Secondly, due to the growing closeness of the two peoples who today experience a historic moment of mutual identification because they are pledged to the consolidation of democracy as a way of life and government. Third, due to the final solution of the conflict over Itaipu in 1980 that, in my opinion, ended the era of rivalry and inaugurated the era of cooperation as shown by the many mechanisms of

cooperation established since then. The integration that we now begin truly buries the spirit of rivalry that our peoples buried in practice some time ago.

Keys to Integration

Buenos Aires SOMOS in Spanish 30 Jul 86 pp 14-15

[Article by Ruben Correa; passages enclosed in slantlines printed in italics]

[Text] The day that the negotiators for Argentine and Brazilian integration finalized the technical arrangements, they publicly announced some of the principles that will govern this ambitious bilateral process:

Cooperation and exchange balanced quantitatively and qualitatively in the fields of agriculture, capital goods, payment systems, investments, general trade, energy, science and technology, and the formation of binational enterprises.

Effective integration will come about through business activities via the development of joint initiatives directed at the expanded market.

In order to be politically viable and economically efficient, integration and cooperation will be based on the growth of the two countries.

Integration will be supported by the dynamic balance of trade without either country specializing in any production or trade sector. Broad cooperation in the cultural, scientific, and technological fields--especially in elusive modern technology--will also be supported.

That is a very brief summary of the political framework for integration. Some details are missing that perhaps define the /keys/ to the decision made by President Alfonsín and President Sarney which goes beyond the idea of consolidating the Austral and Cruzado plans.

/Balance/, for example, is a permanent condition for the negotiators of the two countries. The objective is for Argentina and Brazil to grow /jointly/ but their starting points are far from equal. After talking with one of Sarney's closest advisers and with technicians in the economic sector in Brasilia, SOMOS was able to discern one aspect of Argentine-Brazilian relations that has not been explored: /Brazil's economic dynamism as a source of opportunity/. The idea is that, in addition to the political changes--the democratic government--"the strength of things" indicates that destructive mistrust of the alleged /hegemonic/ plans of a developed Brazil should be put aside.

The governments must create the conditions, the legal framework, for integration. However, the businessmen must make it concrete, exploit the opportunities created by the agreements.

Integration will be led by the private sector, preferably by /national enterprises/.

It must remain clear that integration does not just depend on the official negotiators. They make trade movement possible through the reduction of tariffs and the creation of possibilities for exports. However, trade movement, business, will have to be done by private enterprise.

Advancing beyond trade movement, the agreements open the way to complementation in specific sectors. /This is the newest aspect in the effort toward integration/.

The agreements will unquestionably contribute to the success of the economic plans of both countries. One of the threats to the Cruzado Plan has been the problem of meat and other foods which Brazil must import in large quantities. The pressure on the prices was mainly due to lack of supplies. One of the ideas that prevailed during these negotiations was to create some type of mechanism to help the two countries in times of difficulty. This does not mean having permanent stocks because this would be difficult, especially from the financial point of view. The mechanism would permit some flexibility in times of difficulty so that one country can look to the other for what is missing from its domestic production. The objective is to reinforce the similar economic strategies in the two countries.

Brazilian Participation in Total Argentine Foreign Trade
(percentage of total)

<u>Year</u>	<u>Exports</u>	<u>Imports</u>
1982	7.5%	12.9%
1983	4.6%	14.8%
1984	5.9%	18.1%

Argentine Participation in Total Brazilian Foreign Trade
(percentage of total)

<u>Year</u>	<u>Exports</u>	<u>Imports</u>
1983	3.16%	3.67%
1984	2.99%	2.32%

Sources: INDEC [National Institute of Statistics and Census] and the Central Bank of Brazil

Brazil has sectors that are concerned about the consequences of integration, too. They are the sectors in the southern states that produce goods that compete in the market with Argentine products but are not competitive in price.

The Brazilian industrial sectors still do not know exactly how the trade will affect them because, in the capital goods sector, it will be necessary to draw

up a list to attach to the general agreement on integration in that field. That list must define the sectors, products, and type of industry like meta-working, textile, etc.

The Brazilians had already made up their list before Sarney's trip to Buenos Aires but not the Argentines. The list can only be included in the agreements if the industrialists agree.

A different aspect foretells the future best. In the past--for example, at the beginning of the 1970's--Brazil had a very high growth rate. That rate was negatively perceived by other countries/. They were worried about the alleged danger of creating very serious imbalances or the existence of a hegemonic attempt in the region. Today there is a different attitude: it is that, actually, the Brazilian growth is /a source of opportunity/. Brazil today has 130 million inhabitants and, according to the most recent projections, will have a population of almost 180 million in 2000. Everything indicates that Brazil is on the verge of a new cycle of rapid growth due to the dropping oil prices and interest rates, the devaluation of the dollar, and, especially, the growth of its product in 1985: 8.2 percent. From now until the end of the 1990's, Brazil could grow at an average of 9 to 10 percent. In 2000, then, Brazil will have a market of 180 million people and a very great purchasing power, perhaps the sixth or seventh best market economy in the world.

There are not many markets in the world with those dimensions. The countries that have the advantage of proximity to the large markets can also benefit from that development. A country that grows like that not only has to export but import, generate trade /movement/. The Brazilian growth can be a source of opportunity to the extent that other countries find a market in Brazil that permits them to expand their production beyond their relatively small markets.

Doubts About Success

Buenos Aires SOMOS in Spanish 30 Jul 86 p 16

[Passages enclosed in slantlines printed in italics]

[Text] The Rome Treaty, the initial step toward the EEC, adopted a 10-percent reduction in import tariffs each year as the way to achieve a common market. Therefore, after 10 years, there were no more customs duties on the products that crossed the borders of the six founding countries. During those 10 years, the French, German, Italian, Belgian, Dutch, and Luxembourg businessmen had time to adapt to the changes that occurred automatically, annually, and inevitably.

The Montevideo Treaty that established the conditions to achieve a free trade zone in Latin America established two ways to lower import duties. Every year each country negotiated lists of products to reduce taxes on while the other countries reduced taxes on the same or other products that interested the first. Brazilian ashtrays in exchange for Argentine wine glasses, for example. These tariff reductions benefited the countries that did not participate in the negotiation which, of course, did not please the other

countries. The second method was more important: every 3 years, products were negotiated that all member countries would exempt from customs. This was called the common list because, in each negotiation, products that made up 25 percent of the total trade in the area had to be included on this common list. At the end of the 12th year, it was assumed that all the products traded or, at least, the basic ones had been exempted as the treaty said.

The first common list was easy to agree on. Products heavily traded like wheat, bananas, coffee, oil, and copper were included. It was another matter to agree on the second 25 percent since it was necessary to include /protected/ products. The third 25 percent was never agreed on since it would have meant eliminating extensive protection which provoked angry and successful protests from the producers affected. This signed the death certificate for LAFTA.

That is not all. The European countries had similar levels of development with diversified economies and political organizations based on the same democratic systems. The businessmen could adapt themselves fairly easily to the demands of new nearby markets which were accessible via excellent systems of transportation and communication. The prospects whetted the appetite of the most ambitious. LAFTA's case was just the opposite. It involved monocultural countries which did not have a tradition of trading among themselves except for a few raw materials via deficient or nonexistent transportation.

Even worse, yesterday's conditions changed abruptly overnight: a devaluation, a new economic policy, a coup d'etat. After these sudden changes, the LAFTA agreements were not usually respected. Safeguard clauses, applicable to extraordinary cases, became common and new markets were lost.

Apparently, the agreement with Brazil will travel the tried and unsuccessful road of LAFTA. Every 6 months, expansion of the initial list of products exempted will be negotiated. It will be easy to reach the first agreements. But what about /when it is necessary to climb the fence around the exclusive grounds of the closed country clubs? Will there be enough political determination to ignore the complaints of those affected?/ Won't these be justified by the overvaluation of one or the other currencies? Will the Cruzado and Austral plans continue to function along parallel lines? Perhaps in 6 months but in 6 years? The Argentine industrialists of the capital goods industry, where the future common market will begin, already complain that steel sheets, pipes, aluminum, and the petrochemical products that are supplied cost 50 to 100 percent more than in Brazil. This is a symptom of overvaluation of the austral that is hard for our economic leadership to change because, among other reasons, the higher cost of dollars to pay the foreign public debt would unbalance what, in the best of cases, is now a precarious balanced budget.

Conclusion: skeptical vigilance.

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CSO: 3348/737

INTER-AMERICAN AFFAIRS

HONDURAS, EL SALVADOR SUBMIT DISPUTE TO ICJ

Tegucigalpa LA TRIBUNA in Spanish 10 Jun 86 p 9

[Text] Agreement between Honduras and El Salvador to abide by the decision of the International Court of Justice in the dispute between the two states over their territorial, insular and maritime borders, signed in the city of Esquipulas, Republic of Guatemala, on 24 May 1986.

Whereas: On 30 October 1980, in the city of Lima, Peru, the General Peace Treaty was signed which, inter alia, delineated the territorial border between the two republics in those sections where there was no dispute; and

Whereas: Within the time period set forth in Articles 19 and 31 of the General Peace Treaty of 30 October 1980, no direct agreement could be reached on the existing differences over the borders in the other territorial areas in question, or on the legal status of the islands and the maritime spaces;

The government of the Republic of Honduras and the government of the Republic of El Salvador have designated as their respective plenipotentiaries, for Honduras, Minister of Foreign Relations Carlos Lopez Contreras, and for El Salvador, Minister of Foreign Relations Rodolfo Antonio Castillo Claramount, who, having found their respective full powers in good and proper order, agree upon the following:

Article 1. Naming of a Panel

1. Pursuant to Article 34 of the General Peace Treaty signed on 30 October 1980, the parties submit the issues mentioned in Article 2 herein to a panel of the International Court of Justice, such panel to be made up of three members to be agreed upon by the parties. The parties shall convey their agreement on the panel jointly to the chief justice of the Court, such agreement being essential for the formation of the panel. The panel shall be constituted pursuant to the procedures established in the Court Bylaws and in this compromise.

2. In addition, two ad hoc judges especially named for this purpose, one by El Salvador and the other by Honduras, shall be members of the panel; they may be nationals of the parties.

Article 2. Object of Litigation

The parties request that the panel do the following:

1. Delineate the border in the zones or sections not described in Article 16 of the General Peace Treaty of 30 October 1980.
2. Determine the legal status of the islands and maritime spaces.

Article 3. Proceedings

1. The parties request that the panel authorize the following written proceedings:

- a) A report submitted by each of the parties no later than 10 months after the Secretariat of the International Court of Justice has been notified of this compromise.
- b) A counter-report submitted by each of the parties no later than 10 months after the date upon which the certified copy of the other party's report has been received.
- c) A reply submitted by each of the parties no later than 10 months after the date upon which the certified copy of the other party's counter-report has been received.
- d) The Court may authorize or require that the parties submit a rejoinder, if the parties agree in this regard or if the Court decides on its own initiative or at the request of one of the parties that this step is necessary.

2. The aforementioned documents in the written proceedings and their annexes, upon delivery to the secretary, shall not be conveyed to the other party until the secretary receives the corresponding document from that party.

3. The oral proceedings, the notification of the designation of the parties' respective agents, and any other procedural issues shall conform to the provisions of the Court's Bylaws and Regulations.

Article 4. Languages

The case shall be heard in the English and French languages, without distinction.

Article 5. Applicable Law

Within the framework of Article 38, Section 1 of the Bylaws of the International Court of Justice, the panel, in issuing its ruling, shall take into account the norms of international law that apply between the parties, including, where appropriate, the provisions of the General Peace Treaty.

Article 6. Execution of Judgment

1. The parties shall execute the panel's judgment in its entirety, and in complete good faith. For this purpose, the Special Demarcation Commission that was established under the Agreement of 11 February 1986 shall begin the demarcation of the border stipulated by the judgment no later than 3 months after the date of said judgment, and shall continue its work diligently until it has completed such task.

2. For this purpose, the rules on this matter established in the aforementioned agreement creating the Special Demarcation Commission shall apply.

Article 7. Effective Date and Recording

1. This compromise shall become effective on 1 October 1986, once the constitutional procedures required by each party have been completed.

2. It shall be recorded with the General Secretariat of the United Nations, pursuant to Article 102 of the United Nations Charter, jointly or by either of the parties. At the same time, it shall be made known to the Organization of American States.

Article 8. Notification

1. Pursuant to Article 40 of the Bylaws of the International Court of Justice, notification of this compromise shall be conveyed to the secretary of that Court by means of a joint note from the parties. Said notification shall take place before 31 December 1986.

2. If such notification does not take place as stipulated in the preceding paragraph, either of the parties may notify the Court secretary of this compromise within one month following the date specified in the preceding paragraph.

In witness whereof, the undersigned place their signatures on two copies of this compromise in the city of Esquipulas, Republic of Guatemala, this twenty-fourth day of May in the year nineteen hundred and eighty-six.

For the Government of Honduras
For the Government of El Salvador

Another Deadline for Marking the Border

Midnight today marks the deadline for going jointly before the International Court of Justice to resolve the border dispute between Honduras and El Salvador, in accordance with the General Peace Treaty that was signed on 30 October 1980 in Lima, Peru.

In this regard, Attorney Pedro Pineda Madrid, member of the Commission of High Territorial Studies, stated that during the period discussions were held and

a compromise was signed at the summit of Central American leaders in Esquipulas, Guatemala, last 27 May.

The compromise signed by the foreign ministers of Honduras and El Salvador, Carlos Lopez Contreras and Rodolfo Castillo Claramount, commits the two countries to going jointly before the International Court of Justice.

After noting that this document specifies the dates for the joint appearance before the International Court, he explained that there is no advantage or disadvantage for either country, so each will present its case.

He emphasized that the General Peace Treaty signed in 1980 calls for the two parties to submit to the jurisdiction of the International Court of Justice in The Hague in order to clear up any misunderstandings. The compromise was discussed and signed within the specified period.

Now, he said, deadlines have been set for preparing all the documentation and translating it into French or English.

He specified that the term "compromise" suggests something other than what it really means, because it is a commitment to appear jointly before the Court.

Before the document was signed, there was doubt as to whether El Salvador would agree to go to The Hague, because one of the countries can do so unilaterally if the other refuses, according to the Peace Treaty.

8926

CSO: 3248/614

INTER-AMERICAN AFFAIRS

HONDURAS CALLS FOR TRADE RENEGOTIATION WITH GUATEMALA

Tegucigalpa LA TRIBUNA in Spanish 23 Jun 86 p 7

[Article by Rebecca de Reyes; passages enclosed in slantlines printed in boldface]

[Text] As the president of the Central Bank of Honduras (BCH), Gonzalo Carias Pineda, said last week, there is no doubt that "we are a good partner" for Guatemala. He was referring to that country's withdrawal from the Central American Compensation Chamber in violation of the Bilateral Trade Treaty.

/A detailed analysis of the trade that has transpired over the last 2 years provides proof of this./

Two questions emerge from this examination: How important is trade with Guatemala to the Honduran economy? And how beneficial is the Honduran market for Guatemalans?

The export situation can be seen clearly in this table:

Honduran Exports (millions of lempiras)		
	1984	1985*
Guatemala	23.3	6.5
Guatemala compared to Central America	24.5%	13.5%
Guatemala compared to the total	1.6%	0.4%
Central American total	95.1	48.1
Central America compared to the total	6.5%	3.0%
Rest of the world	1,358.1	1,561.6
Rest of the world compared to the total	93.5%	97.0%
Overall total	1,453.2	1,609.7

*estimated

(Source: Central Bank of Honduras)

This table shows that Honduran exports in 1985 totaled 1,609,700,000 lempiras. Of that amount, 48.1 million lempiras' worth of goods were sold to Central America, which represents just 3 percent of total Honduran sales. Within that category, Guatemala accounts for just 0.4 percent.

Between 1984 and 1985, intraregional exports fell drastically from 95.1 million lempiras to 48.1 million, meaning that the country lost 47 million lempiras.

Guatemala, according to economic sources, traditionally purchased about 50 million lempiras' worth of goods each year. In 1985, however, these sales amounted to 6.5 million lempiras, so it can be said that 75 percent of traditional exports to that country have been lost.

In view of this, it is absurd to justify and/or continue to adhere to the Bilateral Trade Treaty, because it does not represent a market that is accessible to Honduran products.

This drastic decline in exports was partly due to the exchange measures adopted by that neighboring country, and at present very few Honduran industries can sell their products on that market. Therefore, Honduras is most definitely a /consuming/ nation as far as Guatemala is concerned.

Honduran Imports
(millions of lempiras)

	1984	1985*
Guatemala	81.8	93.5
Guatemala compared to Central America	41.7%	43.9%
Guatemala compared to the total	4.6%	5.0%
Central American total	196.4	213.2
Central America compared to the total	11.1%	11.4%
Rest of the world	1,579.8	1,656.8
Rest of the world compared to the total	88.9%	88.6%
Overall total	1,776.2	1,870.0

*estimated

(Source: Central Bank of Honduras)

Total Honduran imports in 1985 amounted to 1.87 billion lempiras, and from the Central American isthmus alone 213.2 million lempiras' worth of goods were imported, 11.4 percent of the total.

Of these purchases, 93.5 million lempiras went for merchandise from Guatemala, which represents 44 percent of the interregional transactions and 5 percent of the overall total of purchases.

A considerable increase in these imports was recorded between 1984 and 1985, when Guatemala earned 11.7 million lempiras more, a 15-percent jump.

Of course, this does not take into account smuggling and tax cheating, which can be quantified by making a brief survey of Honduran businesses. Many goods with Salvadoran and Guatemalan labels, and now Mexican labels, are being sold in those establishments.

As a corollary of this situation, the balance of trade with Central America yields a large deficit, with a huge gap of 165.1 million lempiras between the 213.2 million in imports and the 48.1 million in exports.

Nevertheless, since trade with Guatemala is what is at stake here, it is worth noting that the deficit in that area is 86.5 million lempiras.

In percentage terms, the deficit in trade with Guatemala amounts to 52 percent of our Central American trade and 33 percent of the total.

Thus, the one coming out ahead on the deal is Guatemala!

Solutions Needed Urgently

Experts on this subject said that the renegotiation of the bases of the treaty or bilateral agreement could be a palliative.

"Honduras should levy customs duties that would neutralize the exchange advantage Guatemala /enjoys,/ or it should abandon the treaty for good, as members of the Honduran Council for Private Enterprise (COHEP) have demanded," they said.

In addition, importers of raw materials and pharmaceuticals should be given the assistance they need. The former should be given an exemption immediately, and if they want to continue importing from Guatemala they can do so, but the payments should come through the Compensation Chamber.

The latter could be given a revolving line of credit with the BCH, with a 90-day term and facilities for registering imports from the rest of the world.

Finally, and most importantly, the industrialization of the country should be promoted, as has been done in Guatemala. These reversals set the pace for our unrelenting battle against the problems that keep arising year after year.

8926

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BRAZIL

PALACE SOURCES VIEW POSSIBLE CANDIDATES TO SUCCEED SARNEY

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 22 Aug 86 p 3

[Article by C.C.: "More Than Sufficient Candidates to Succeed Sarney"]

[Text] Whether or not the National Constituent Assembly fosters changes in the government system, maintaining the traditional presidential system, or adopting a presidentialist parliamentarianism, the elections for President Jose Sarney's successor will be direct. They might be held in 1988, 1989, or 1990, if the presidential terms are set at 4, 5, or 6 years. In the first instance, which is most unlikely, the principle of reelection for one term could be established, but there is every indication that, if this should occur, Sarney would not agree to run for another term. Hence, in any event, we shall, sooner or later, witness a succession joined in by the forces supporting and opposing the New Republic, but without the direct presence of its leading figure.

President Sarney will obviously influence the succession itself. He will not have to draw candidates from his vest pocket, much less act as the general-presidents did, selecting their successors by an imperial act, or yielding to the decisions of the high commands. It will be the political forces that will select the candidates for Planalto Palace, but the current president's influence will be considerable, both in the selection and in the campaign.

This proves the correctness of Sarney's policy, with the success of the Cruzado Plan, the fulfillment of the recently introduced goals, and the improvement of the quality of life in the country. Two movements will seek to obtain the designation of heir from Sarney: PMDB [Brazilian Democratic Movement Party], and PFL [Liberal Front Party]. Both parties have chances to regroup again in the National Constituent Assembly, and in backing the present government. They may possibly reach an understanding in the discussion of the main features of the regime's reform, such as the duration of the presidential term and the establishment of the government system. But it would only be through a miracle that each one, individually, would fail to submit its own candidate. At least for the time being, the strategy of Deputy Ulysses Guimaraes, who envisions himself becoming the PMDB candidate, backed by a vice president from PFL, such as Marco Maciel, remains a summer night's dream. Since the elections will be direct, no one will refrain from submitting to the people's verdict.

The possibility of Ulysses' emerging as a candidate is being wondered about, in view of the hypothesis of Sarney's term being set at 6 years, or even at 5. The age of the PMDB president is a factor that cannot be underestimated, even more than his health problems, which have now been surmounted. In such an event, that is, confronted with the tendency toward a younger candidate, some individuals seem in a better position than others. Mention has been made of Waldir Pires, if he wins the elections for the Bahia government; as well as Fernando Henrique Cardoso, depending on his performance in the National Constituent Assembly. He has emerged as a strong candidate for the chairmanship of the large commission, the second place in the hierarchy in which Ulysses Guimaraes will rank first, as president of the Assembly itself. Jose Richa will run close, possibly procuring the presidency of the Senate in February, if the Senate is in operation. Paulo Brossard's chances will depend on his performance in the Ministry of Justice. There are some who also envision Antonio Ermirio de Moraes, if he defeats Paulo Maluf in the contest for Bandeirantes Palace. Almir Pazzianotto is running outside, alone.

Apart from those individuals, it would only be by magic that another PMDB member would emerge as a presidential candidate, even if the National Constituent Assembly garbs itself with the top hat of a sleight of hand artist.

On the side of PFL, the phenomenon is different. The chiefs are more numerous and more visible than the Indians. At least two natural candidates belong to the party, in a considerably stronger position than that of the PMDB candidates: Marco Maciel and Aureliano Chaves.

None of the aforementioned montages, most likely isolated but, who knows, they may be combined, concerns or frightens Jose Sarney. Whether his successor turns out to be Ulysses Guimaraes, Aureliano Chaves, Antonio Ermirio de Moraes, Marco Maciel, Waldir Pires, or the others, all will be well with him. The president's headaches will begin if he has to observe the picture from the opposite angle. In the event that his policy does not prove correct, with insurmountable obstacles posed for the Cruzado Plan, with the goals not becoming effective, and with the average Brazilian's standard of living declining, it will be the turn of the adventurers; at least adventurers in the opinion of the New Republic.

Leonel Brizola is pulling rank. He is the declared, wide-open candidate. He will be in a better position if there is chaos; in other words, he would be strengthened if the Sarney government were facing more problems than it could produce solutions for. Although lacking in party structures commensurate with his appetite, he is preparing for the fray.

Paulo Maluf, if he is elected governor of Sao Paulo, will be another sure contender. And he would even like Sarney's term to be set at 6 years, which would give him time to attempt a speedy administration, reaping the deserved political profits from it. However, even if he loses the November elections, the former governor will have to persist. His electoral patron is the former American president, Richard Nixon, who, after having been defeated for the presidency of the republic and for the governorship of California, managed to reach the White House.

Janio Quadros vows that he ran in his last election in November, for the Sao Paulo City Hall, but his vows do not usually become a decision. He would take a risk, at a time of general indecision. Lula could be predicted to evolve in the same manner.

The foregoing comments are not based on mere journalistic speculation. They were heard yesterday in one of the privileged offices of Planalto Palace. Therefore, they are recorded for future comparison.

2909

CSO: 3342/180

BRAZIL

ROLE OF MILITARY UNDER NEW CONSTITUTION DISCUSSED

Rio de Janeiro O GLOBO in Portuguese 21 Aug 86 p 4

[Text] Up until now, the debates on the role to be given to the military by the new Constitution have been flawed by superficiality and preconception.

It may be admitted that the prolongation of the 64 cycle, even after its creative potential was depleted, destroyed the coexistence between civilians and the military. Traumas caused by the regime's extension in the political areas (reports of torture and political prisoners), the economic area (foreign debt, inflation), and the administrative area (constant complains of corruption) have distorted its assets. At a quick glance, it now appears to be showing only a debit account. The authoritarian exercise of power, preventing the free expression of criticism, and penalizing the independent, uncompromised evaluation of public issues, has filled that vision with the bitterness of resentment. And the resentment has become prejudice. This is the basis for the preconception which, projected into the constitutional debate, has brought about more or less the following position: Let's dig a trench, and put up walls to prevent them (the military) from being able to assume power again.

However, trenches and walls would be abysses separating civilians and men in uniform; which would definitely not bring a contribution beneficial for institutional coexistence.

Preconception, as the term indicates, hampers a realistic view. The balance sheet of the movement of 64 records a replete credit account. A renewing inspiration and an enterprising activity cannot be denied it. It would be unnecessary to detail the history; to rate it, we need only cite the effort to modernize the country undertaken during that period.

Nor can individuals be confused with the institution, in avoiding a preconceived judgment. During recent years, relatively few officers from the three branches of service have been directly involved in public administration. The vast majority of them remained where they had always been, in their work places. They were as much spectators as the civilians were.

The Constitution, which also works with the past but is projected into the future, must not sanction illusions either. There is now a desire (this has

been made clear) to establish in the constitutional text a kind of antidote against coups d'etat. The Armed Forces would only be given tasks involving external defense, and therefore be excluded from responsibility for internal security; so that everyone would know that, except for provisions to the contrary, revolutions are banned in this country. Judging from the debate that has ended, they have hardly scratched the surface of the issue.

We need not extend to a major law the relentless penetration with which the people analyze legal regulations devoid of a sense of reality. With regard to them, they simply say: that hasn't "worked." It would belittle the discussion preceding the installation of the Constituent Assembly.

The military leaders have given evidence of moderation on more than one occasion. In countless declarations, they have affirmed their view: They do not want to see their responsibilities for internal defense taken from them, but they admit that, in this area, their activities should be subject to the express view voiced by the civilian society through the authorized organs (the president of the republic, supreme military commander; the Judiciary; and the National Congress. Although the society's control is explicit in the Constitution, they want the conditions under which their intervention might be required to be made so.

They go still further in the defense of their conviction. Originally, the military interventions which proliferated in the history of the republic were not merely a result of the military commanders' ambition. They were reflections of the authoritarian mentality of a considerable part of the civilian society and hence they took place.

The military do not think that this was good either, and want, through dialogue and through a deglorification of the military issue, to create among the civilians antibodies against the virus of totalitarianism which, every now and then, seeks them as saviors of the nation.

That is a path of understanding. It puts everything in its proper place. It is not the fallacy of the division between dispossessed civilians and an ambitious military. We are living in the same society, and the institutional cataclysms that have often attacked us were a reflection of our political immaturity, of the parties' ideological weaknesses, and of our incipient level of community organization. Those problems are not a result of someone else's wickedness. We should look at ourselves in the mirror. It would prove enlightening.

The change in mentality with respect to those issues is even more important than the constitutional decision. And for the debate which will now embark upon a more agitated phase, the contribution of the military has been magnanimous and fruitful.

2909

CSO: 3342/180

BRAZIL

BUSINESS, LABOR, ECONOMISTS ASSESS CRUZADO PLAN ADJUSTMENT

Sao Paulo EXAME in Portuguese 6 Aug 86 pp 24-29

[Text] To say the least, the package announced by President Sarney on the night of 23 July certainly did not arouse the same enthusiasm as the first days of the Cruzado Plan, its elder brother. It did not bring the certainty that, with the measures adopted (the creation of the National Development Fund through the collection of compulsory loans affecting cars, gasoline, and alcohol, and the additional taxes on travel and exchange), the government has resolved the problem of financing public sector investments (in the areas of electric power, iron and steel, transportation, storage, and communications, among others) essential for ensuring a new cycle of stable development. Hovering over the government's best intentions is the specter of the public deficit, an untiring devourer of funds, and a series of difficulties stemming from the price freeze, which is unquestionably inhibiting decisions for investment in private business firms.

In any event, it seems clear that the government has taken a major step toward overcoming a debate that has been to a certain extent futile regarding the matter of the excessive demand for consumer goods, according to some economists a serious threat to the success of the Cruzado Plan; but it has certainly not solved such problems as that of the shortage (real or provoked) of essential foods, such as meat and milk, the fraud in weight or quality, and other practices potentially dangerous for the Economic Stabilization Plan. For example, one large Sao Paulo department store noted that the prices charged by its suppliers had risen from 3 to 4 percent during the past few months.

In the area of consumer goods, the larger demand resulted from the increase in the volume of wages, starting in 1985, and the rise in the available income of wage-earners resulting from the reduction in income tax at the source, in November of last year, and also the effects of the Cruzado Plan which, according to economist Antonio Kandir, of UNICAMP [Campinas State University] and the Brazilian Analysis and Planning Center (CEBRAP), raised the purchasing power of wages. All these factors combined, plus the massive withdrawals from savings accounts during the first 2 months of the Cruzado Plan, caused the latter to meet with a very heavy demand at its beginnings, which led to another increase in employment and wage volumes, and created conditions for the resumption of moves to restore the purchasing power of wages.

Naturally, on the business side, the leading indicator of that situation is the rapid depletion of the installed production capacity (see graph), because during the recessive years at the beginning of this decade, there were virtually no investments. Another sign is the difficulty in hiring skilled labor, and also the queuing for the purchase of new machines. Upon encountering this situation, the first reaction from Sao Paulo industry was to ask the government to put an end to the freeze, or at least begin the thaw starting with the most heated sectors, as a means of quickly coping with the problem. At the same time, orthodox economists suggested the immediate raising of interest rates (which, significantly, had virtually doubled since 28 February).

But the government was convinced that the raising of interest would only exacerbate the Cruzado Plan's problems. In the government's view, in addition to generating additional tensions against the freeze by depressing the profit margin of business firms, already considerably reduced, the rise in interest would contribute to an increase in the financial component of the public deficit and inhibit investments. In short, that was not the best policy for complementing a heterodoxical program the main purpose of which was to combat inflation without the bitter remedies of a classic recession. Thus, the government, which had been preparing the PND's [National Development Plan] Target Plan for months, preferred to select the policy of raising investments, both public and private, as a more feasible method for solving the matter of the excess demand for once and for all. In fact, the current economic policy is not aimed at cutting the demand; it only seeks to adjust its growth, because the supply of goods and services cannot increase immediately, with the exception of imported food.

The Role of the State

According to government economists, the funds coming from the compulsory loans should improve the public sector's financial situation, which is now delicate, allowing for a new cycle of investments in infrastructural sectors which, because of the long period of maturation and the voluminous resources involved, are traditionally made by the state. Kandir considers that recovery of the investment capacity very important because, "in Brazil, the expansion of private investment depends on the growth of public investment." At present, the demand for machinery by private firms is exploding, but it is not a matter of investments in new plants, but rather of purchases of production goods determined by the need for technological modernization or by the creation of a new shift (the only sectors that are building new factories are the chemical and textile sectors).

A firmer resumption of private investment can only occur with an increase in the production of basic equipment by the state, or else through its import (a hypothesis harmed by the difficulties that large-scale importing would entail for the balance of payments). It is also a fact that many goods and services offered by the state cannot be imported (included in this category are electric power, transportation, and storage, for example). In specific instances, another option would be to reduce the exporting of certain input, such as steel, until it becomes possible to expand the domestic supply. Under those conditions, the large projects in private enterprise required for the

country's development should only be made if there is a guarantee of infrastructure.

It may have been to convey that scenario that the finance minister, Dilson Funaro, met for over 2 and a half hours with the powerful Sao Paulo industrialists at the headquarters of the Sao Paulo State Federation of Industries (FIESP) on the day following that of the decree of the new package. Funaro explained to the industrialists the reasons for the option for compulsory loans, claiming that this measure would provide the government with facilities for paying off the social debt, the priority goal of the Target Plan for the period 1986-89 (see table). During that short period of time, the government intends to put into effect an ambitious program of investments devised to recover and expand the economic infrastructure, to give an incentive for the technological renovation of industry and agriculture, and to promote social development, removing over 4.5 million Brazilian families from poverty, and creating 6.6 million new jobs.

More important, however, was the truce between Funaro and FIESP, essential for the maintenance of the Cruzado Plan and the effective implementation of the Target Plan. It is a fact that, to overcome some major resistance, the finance minister offered to make an administrative reform, which should occur immediately, and a study for the reduction of the IPI [Manufactured Goods Tax] for the automotive, pharmaceutical, and cigarette industries, the greatest opponents of the freeze. Based on the reading of certain government technicians, that rapprochement with FIESP is essential to guarantee the private sector's matching of the government investments in infrastructure, estimated at 638.2 billion cruzados by 1989. That sum, plus the private sector's investments, should raise the proportion of investments from 17.6 to 21 percent of the GDP.

A leap of that magnitude would be easier if the country did not have to send over 4 percent of the GDP abroad every year, to pay the interest on the foreign debt. Hence, there is a serious obstacle posed because of the insufficiency of the current rate of savings in the Brazilian economy, which is 17.5 percent of the GDP. In the past, based on the introduction of the Target Plan, that problem was solved by inflationary financial mechanisms (with losses for wage-earners), or through the use of foreign sources of financing at high interest rates. Now, because of the impossibility of resorting to those traditional financing mechanisms, the additional effort at savings required is about 3 percent of the GDP, to be mobilized primarily by means of compulsory loans.

But will those loans increase savings? The former planning minister (and candidate for the Sao Paulo Constituent Assembly), Antonio Delfim Netto, answers that they will not. He views the new package as a transfer of savings from the private sector to the public sector, and challenges the interpretations of the ministers in the economic area, claiming that the measures affect only high-income groups. Delfim remarks: "To have more savings, it would be necessary to sacrifice some current consumption, and that can only be done by raising the interest rate." The former minister describes as "disastrous" from a development standpoint the transfer of a part of private savings to the public sector; because, in addition to inefficiency, the FND [National

Development Fund] itself will have a management cost. Delfim thinks: "The result would be that, of every 100 cruzados of savings withdrawn from the private sector, slightly over 50 would be effectively used."

Swelling the ranks of opponents to the new package, the former planning minister also condemns the "gigantic purge that the trick of the compulsory loan will entail in the cost of living index," because all medical services, engineering services, and services related to assistance, small deliveries and moving are carried out with gasoline-powered vehicles. "So, it is an exaggeration to claim that no cost will be affected," argues Delfim, adding that this is only another type of purge among scores of others carried out every day, in view of the fact that the CPI ignores the widespread existence of profiteering in money lending, quantitative and qualitative exchanges and black market operations.

Following Delfim's same line of reasoning are economists from the Getulio Vargas Foundation, who disapprove of the government's decision not to take the CPI (the official consumer price index calculated by the IBGE [Brazilian Institute of Geography and Statistics]) into consideration, as well as the increases caused by the compulsory loans affecting vehicles, gasoline, and alcohol. The FGV promises to consider those price hikes in its indexes, despite the weighing done by Minister Dilson Funaro who justifies the government's decision by the fact that only 10 percent of Brazilians own an automobile.

The inclusion or exclusion of the purges in the price indexes will produce a situation that is at least odd. At the end of last year, the economic authorities chose to replace the GPI of the Getulio Vargas Foundation with the CPI of the IBGE Foundation, as an official parameter of the variation of prices in the country, claiming, among other things, that the GPI is greatly influenced by the behavior of prices in Rio de Janeiro. After the adoption of the Cruzado Plan, since the GPI began showing a greater variation than the CPI, both Minister Funaro and President Sarney himself started mentioning it every time they commented on the inflation that occurred during the period. Now, it is not difficult to predict that the CPI will again prevail as a price gauge.

Also dissatisfied with the underestimation of the inflationary indexes because of the non-inclusion of the compulsory loans in the IBGE index, the trade unions affiliated with the CUT [Sole Central Organization of Workers] are threatening to disregard the official CPI, and base their wage demands on the increases in the cost of living compiled by the Interunion Department of Statistics and Socioeconomic Studies (DIEESE); because the trigger for the moving wage scale will be delayed. Hence, a tense atmosphere is beginning to form between the more active unions and the government, as may be concluded from the reaction of the CUT president, Jair Meneguelli, who anticipates an increase in the wave of strikes all over the country as a natural reaction from the worker who "has been harmed once again." The union leader regrets the government's decision to send the new strike law to Congress, without discussing the changes with the workers in advance.

In business circles, the majority of which favor the new package, as was disclosed by a poll taken by EXAME, certain measures adopted by the government

are considered timid. In general, the businessmen are not satisfied with the authorities' apparent insensitivity to the problem of the public deficit. This impression coincides with the view of economists such as former Minister Mario Henrique Simonsen, who does not conceal his uncertainties in analyzing the measures decreed by President Sarney. He fears that the money collected may even end up financing the public deficit.

To those who doubt the government's intentions of using the money from the compulsory loans only to expand investments, the president's advisers respond that those measures would not be adopted during an election year if the future of the Cruzado Plan, on which Sarney has wagered his entire prestige, were not at stake. The president's only concession was the non-taxation of the extra profit accrued by PETROBRAS [Brazilian Petroleum Corporation] with the reduction of the price of imported oil and the reduction (from 40 to 28 percent) in the compulsory loan affecting fuel.

The Debt Front

The government intends to obtain the difference between the funds that will enter the FND and those necessary for dealing with the ambitious target plan announced by the president by reducing the payments of the charges relating to Brazil's foreign debt. It is on this new front that Minister Funaro will start to operate starting now, and the success of the measures that have just been adopted internally, on which the minister certainly wagered part of the popularity that he gained with the initial success of the cruzado may perhaps be at stake there.

The Bill for the Middle Class

"The Brazilian state's capacity for savings has been destroyed by policies which have caused a high degree of indebtedness." The person making this assertion is one of the fathers of the Cruzado Plan, economist Francisco Lopes, of the Rio PUC [Pontifical Catholic University], currently an adviser to the Ministry of Planning. He claims that the interest on the external and internal debts consumes over 5 percent of the GDP. And, in view of this, there was no alternative other than to divide with the middle class the burden of the public sector's investments. Lopes explains below to EXAME some points concerning the second phase of the Cruzado Plan:

The Financial Cash

"There was no adjustment in the Cruzado Plan, but rather a continuation. The purpose of the Plan was to combat inflation without recession, which was achieved. The economy is extremely heated. So, there is as a logical consequence, the question: how to sustain that growth? To have the economy grow 7 percent per year, it is necessary to invest, and more intensively than in recent years. A major portion of the income will have to be saved. Then came the diagnosis of the cash. The state has a massive internal and external debt for which it is paying interest in excess of 5 percent of the GDP. The cash is the financial outlay. In fact, there is a problem of incompatibility.

The state has to invest 4 percent of the GDP, but it is faced with a very high debt cost."

The Development Fund

"Without the financial charges, the state would be generating sufficient revenue to finance its investments. The National Development Fund is solving part of this problem. If it collects 2 percent of the GDP, it covers half of the financial requirements. The other portion will be financed with the normal expansion of the internal debt and, possibly, by a contribution from external savings. The Fund has made the financing problem manageable. It allocates 2 percent of the GDP for financing, but it would be very complicated to finance 4 percent. For example, a 10 percent cut in the public sector's personnel outlays generates a savings of only 0.3 percent of the GDP and a tremendous social problem."

De-Indexing

"Now, the controversy has arisen over the inflation rate. To incorporate the compulsory loan into prices would be a decision at odds with the entire de-indexation philosophy. We are drawing funds from the middle class to finance development. Putting that in the index is a crazy idea. We are engaged in a political and economic plan for a nation. Therefore, a merely technical discussion of the issue is myopic."

Supply

"In an economy that is growing 3 percent per year, the problems occur in slow motion. At 10 percent, everything is too fast. Therefore, the supply problems that we are observing arise. And there is without doubt a popular demand for more drastic measures against speculators. The government would certainly capitalize politically if it used Delegated Law No 4. For the time being, there is a negotiating position, but a breaking point could occur. In such a confrontation, the government will be able to act with complete political support."

15 November

More important than the popularity is the credibility. The public now knows that it has a government with a conscious proposal. I am certain that the political effects will be positive. The middle class will scream for a week or 2; but it won't scream until 15 November. We shall reach November with an inflation of 6 percent and the country growing at 10 percent per year. So, there is no reason to be pessimistic."

The Support (in Terms) of Businessmen

The majority of Brazilian businessmen support the new package, but do not think that the measures contained in it will be sufficient to attain the goals

stated by the government upon publishing it, such as curbing consumption, stimulating productive investment, and keeping inflation at the current levels (see tables). This is, in summary, the result of the poll taken by EXAME among 97 small, medium, and large-sized business firms located in 12 Brazilian states. *

It is a result which, in the dispassionate expression of numbers, could be interpreted as a massive vote of confidence in the government's economic action (81.4 percent of those interviewed gave their support to the package), backed, moreover, by a kind of suggestion that it should have gone further. However, the survey also attempted to procure more elaborate opinions from the businessmen queried. And there, although the minister of finance, Dilson Funaro, and the planning minister, Joao Sayad, received enviable rates of approval for their performance (91.8 and 79.4 percent, as compared with the 94.1 and 72.8 percent recorded in the Executives Panel-EXAME poll of 23-7-86), a highly critical position is widespread.

For example, the conviction is almost unanimous that the government will use the funds accrued in the form of the compulsory loan not to actually feed the newly created National Development Fund, but rather to reduce the depth of the gap in the public deficit. "Once again, the government is cutting the costs of private enterprise, and doing nothing to reduce public spending," complains Gregory Rian, president of the chain of McDonald's luncheonettes in Sao Paulo. Rian makes the comparison, "It even resembles Delfim's programs." Jose Afonso Sancho, president of the Fortaleza Bank, Inc. and honorary president of the Ceara Commercial, Industrial, and Agricultural-Livestock Associations, is more incisive in his comparisons: "Adopting measures with the intention of collecting money," he says, "is an old movie, already seen even during the Figueiredo government with the Finsocial used during that time to close the gaps in the BNDES [National Economic Development Banks]."

After all, "historically, the government has not given any proof in this respect," recalls Peter Schreer, president of Kibon in Sao Paulo, posing doubts about the effective use of the FND funds. Nevertheless, there are businessmen who claim to believe in the government's reliability concerning the use that it will make of the money, such as Bruno Nardini, president of Nardini, a machine tool manufacturer with headquarters in Americana (Sao Paulo).

Confidence in the government's sincerity is implicit in the opinion of Abel Carparelli, president of Shell of Brazil, the largest firm in the country based on billing, according to "Melhores e Maiores" (Bigger and Better). In addition

* A total of 34 business firms were heard in Sao Paulo: 17 in Rio de Janeiro; 17 in Minas Gerais; six in Parana; five in Rio Grande do Sul; four in Ceara; four in Bahia; three in Pernambuco; three in Santa Catarina; two in Amazonas; one in Piau; and one in Paraiba.

to approving the package, he thinks that "more money should have been taken to allow for larger investments," because, in his view, "the distribution of income has been excessive, and has been worsened by the drawing from savings accounts."

There are also those who, while claiming that they trust in "the reliability and efficiency of the measures," such as Orlando Moscoso Barreto de Araujo, head of the Barreto de Araujo group (exporters of cacao, castor oil, and orange juice, and manufacturers of paper and furniture), and chairman of the Bahia Federation of Industries, raise the question of the political feature that the execution of the government's plans could assume because of the influence of the proximity of elections.

In the political realm, where the so-called "little package" has been established, the volume of criticism was also large. Condemnation of the manner in which the package was imposed (a decree-law, with Congress adjourned) to some extent comes from Oiapoque to Chui. "I agree with former Minister Leitaõ de Abreu that the package is unconstitutional because it is based on a decree-law," notes Moises Sabba, of the Sabba group (billing of 800 million cruzados in 1985) from Manaus, echoing similar statements made by businessmen from Minas Gerais, Florianopolis, Curitiba, and Porto Alegre.

As for the effects of the measures, their effectiveness has been brought into question, either because of the limited scope, or because of their merits per se. "In fact, there should be an increase in production to meet the demand, and not a restriction on consumption, as is taking place," declares Francisco Flavio Germano Magalhaes, director of the Guadalajara Clothing Industry, Inc., of Teresina, which billed 500 million cruzados in 1985.

In the area of curbing consumption, Roberto Dualibi, a partner in the DPZ advertising agency in Sao Paulo, has an even philosophical opinion in condemning the intention inherent in the package. "When I think of a desire to have goods, I think of a position of gratification from work, a right that people have for having worked and earned a wage, to purchase what they please." This is a right the basic incentive for which (the price freeze) received the support of the overwhelming majority of those interviewed (85.6 percent). They differ as to the period of duration. To the question as to how long it will be continued, only the government can respond.

Targets for the Economy Until 1989

	1985	1989	Percentual Variation
Gross domestic product (in billions of 1986 cruzados)	3.291	4.278	30.0
Per capita GDP (in 1986 dollars)	1.621	1.932	19.2
Gross fixed investment (in billions of 1986 cruzados)	536	907	69.2
Personal consumption (in billions of 1986 cruzados)	2,337	2,917	24.8

	1985	1989	Percentual Variation
Exporting (in billions of current dollars)	25.6	31.7	23.8
Population (in millions)	135	147	8.9
Economically active population (in millions)	57	63	9.8
Industrial employment (in millions)	12	15	25.8

Source: Target Plan



Key to Graphs 1 and 2:

1. To the limit of capacity
2. (Average levels of use of industrial capacity during the period January-May 1986, in % of total capacity)
3. Iron and steel industry
4. Metal industry
5. Paper and cardboard
6. Petrochemicals
7. Textiles
8. Food
9. Transportation equipment
10. Electrical and communications sector
11. Source: FIESP
12. The recovery of vehicles
13. (Annual progress of domestic market sales, in 1,000 units)
14. First half
15. Source: ANFAVEA [National Association of Automotive Vehicle Manufacturers]



Key to Graph 3:

1. Brazilians go abroad
2. (Annual progress in number of trips abroad, in 1,000 units)
3. * forecast
4. Source: EMBRATUR [Brazilian Tourism Company]

The Package Is Approved

Question: Do you approval of the economic package? Yes: 81.4%; No: 18.6%

...But the Measures Are Considered Insufficient

Question: Do you think that the measures adopted are sufficient to...

- a. ...curb consumption? Yes: 34.0%; No: 66%
- b. ...stimulate productive invetment? Yes: 49.5%; No: 50.5%
- c....guarantee balanced development of the economy? Yes: 43.3%; No: 56.7%
- d....keep inflation at the current levels? Yes: 49.5%; No: 50.5%

The Ministers' Performance

Question: What is your opinion of the performance of Finance Minister Dilson Funaro and Planning Minister Joao Sayad?

	Excellent	Good	Fair	Poor	Very Poor
Finance	43.3%	48.5%	7.2%	1.0%	-
Planning	25.8%	53.6%	19.6%	1.0%	-

Freeze How Long?

Question: Starting with the new package, the price freeze should be:

Stopped immediately: 14.4%

Continued: 85.6% (100.0%)

Until the end of 1986: 25.6% (29.9%)

Until February 1987: 27.8% (32.5%)

Beyond February 1987: 32.2% (37.6%)

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CS0: 3342/174

BRAZIL

PETROBRAS TO EXPAND ACTIVITIES ABROAD; NEW EXPLORATION

Braspetro Ventures Cited

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 20 Aug 86 p 25

[Text] PETROBRAS [Brazilian Petroleum Corporation] has decided to act more aggressively on the international market during the coming years, taking advantage of the space opened by the decline in oil prices and the resultant difficult situation in which many foreign companies in the sector find themselves. The lower costs of oil and equipment imports, as well as the profit of 15 billion cruzados during the first half, have prompted the state company to intensify the activities of BRASPETRO (PETROBRAS International, Inc.) which, during the next few days, will participate in the bidding opened by the government of Norway for the exploration of oil in the North Sea.

The process of "internationalizing PETROBRAS" also includes the agreement that is being negotiated with the Argentine Government for the joint utilization of the neighboring country's reserves. In an exchange of the technology that it has for exploring in deep water (over 500 meters), PETROBRAS is interested in using the Argentine refineries' capacity; because Brazil's refining capacity has been saturated, as was explained yesterday by the president of BRASPETRO and director of production for PETROBRAS, engineer Wagner Freire.

Last year, Government Oil Deposits (YFP) had already opened bidding for the exploration of 10 Argentine reserves, but there was little interest, because the payment would be made in australs or in petroleum by-products. But now, according to Wagner Freire, the method of payment is being renegotiated, "as part of the two governments' mutual intention of complementing the economies."

Oil and Soap Opera

The marketing effort of BRASPETRO which has been exploring Angolan oil since 1980, even includes the sponsorship of TV Globo's soap opera, Roque Santeiro, on that country's television, jointly with SONANGOL [National Angolan Fuel Company], an Angolan international firm. Wagner Freire explained that Brazil has already invested \$120 million in Angola, the site of the largest international reserve explored by PETROBRAS. It is Lombo East which, next year, should be producing 50,000 barrels of oil per day. The Angolan Government's

debt (as stipulated in the risk contracts concluded with PETROBRAS) will be paid in oil; which means that Brazil will initially receive from 15,000 to 20,000 barrels of oil per day from Lombo East.

BRASPETRO is also making geophysical surveys on the coast of Colombia, and may conclude an agreement for the exploration of new reserves starting next year.

Campos Basin

Engineer Wagner Freire also disclosed that the geophysical surveys being made in the Campos Basin indicate that the Merlin reserve, discovered last year (together with that of Albacora), may be twice the size anticipated.

Parana Basin Exploration

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 21 Aug 86 p 39

[Text] PETROBRAS will soon begin exploratory investigations for oil prospecting in the Parana Basin, concentrating the effort on a seismic survey and geological mapping in regions operated under risk contracts between 1980 and 1983 by the Paulipetro consortium, created by the then Governor Paulo Salim Maluf, in December 1979. Marked by reports of corruption and misappropriation of funds, Paulipetro failed to find either oil or gas in 34 wells drilled, and spent \$500 million until its abolishment, on 23 March 1984, at the behest of Governor Franco Montoro.

In a letter dated 16 July of this year, the president of PETROBRAS, Oziures Silva, confirmed the resumption of prospecting in the Parana Basin (which covers an area of 1.2 million square kilometers between the states of Rio Grande do Sul and Goias), and also in the Taubate Basin, demarcating areas to be investigated in the Sao Paulo municipalities of Jacarei, Taubate, Presidente Prudente, and Campo Mourao (Parana). In the document sent to Prof Jacques Marcovitch, president of the Sao Paulo Electric Power Company (CESP), Oziures Silva explained that the first phase of the investigation would consist of seismographic surveys which, based on the state company's own timetables, must be started during the first half of this year.

Oziures Silva's letter formalizes a request for cooperation from CESP, "considering the experience that it has in carrying out those activities in the region," to procure permission for PETROBRAS' access to the work areas and those for assessing possible damage caused by the operations. Its president disclosed that PETROBRAS technicians have already made preliminary contacts regarding the possibility of implementing that cooperation, with officials from the CESP Legal Directorate's Expropriation Department and its Studies and Development Directorate's Special Projects Department. According to Oziures Silva, the planned cooperation would take place in the form of the provision of a five-man team (a coordinator, an assessor, and three contacts), and four vehicles, with PETROBRAS paying for the services rendered.

Exploration Plan

PETROBRAS' return to the Parana Basin, where it had already drilled 71 wells since 1953, is part of the "1985-1990 Exploration Plan," the purpose of which is to incorporate new oil reserves into those already known. In that program's "technical action plan," the "return to the Parana Basin" is mentioned in item 2.7, with prospecting directed "primarily toward blocs Nos 48, 49, and 45, where Paulipetro operated." The text also explains that the exploratory program "will include regional features, aimed at proving compressional stresses caused by cross faults"; a task which will require "new seismic surveys, using vibroscopic equipment with variable sweeps, and detail geological mapping in the upper and adjacent blocs."

In fact, the prospecting in the area should already have been started, as noted in a circular letter from PETROBRAS dated 11 December 1985 and sent to companies interested in rendering that service to the state enterprise. The price proposals were supposed to have been submitted by 29 January of this year, meeting PETROBRAS' requirement that those services were to be rendered by a seismic team, called ES-225, provided with "telemetric equipment with 120 channels." The team was due to "begin its work during the first half of 1986 in the Parana Basin, and could be moved later to other sedimentary basins, depending on PETROBRAS' interests."

New PETROBRAS Refinery in 1990

By the end of this year, PETROBRAS will decide on the construction site for another refinery in the Northeast, with a capacity for over 130,000 barrels per day, which will go into operation at the beginning of the next decade. The project should cost nearly \$700 million, and is being designed based on the predicted growth in the demand for fuel in the country. At present, this demand is 1.1 million barrels per day, and the estimates indicate that, by 1992, the volume should amount to 1.3 or 1.4 million barrels per day.

According to PETROBRAS' production superintendent, Roberto Vila, if the refining capacity does not increase, Brazil runs the risk of having to import by-products already refined within 6 years. The cooperation agreement that is being studied with Argentina, involving the use of the idle capacity in the neighboring country's refineries, will serve to make up the Brazilian demand temporarily (in view of the increased consumption during recent months), as Roberto Vila explained.

The PETROBRAS director also announced that, within 2 years, the Carioco [Rio de Janeiro] Catalyst Factory (FCC) should be going into operation, processing sand to produce catalysts used in petroleum cracking. Vila explained that, at present, Brazil is importing \$35 million worth of catalysts annually.

National Oil Reserves Increased

Rio de Janeiro O GLOBO in Portuguese 12 Aug 86 p 20

[Text] During the first 6 months of 1986, the national reserves of petroleum and liquid natural gas (LNG) increased slightly. According to a technician from the company, this is because those discovered in the gigantic fields in deep waters of the Campos Basin have not yet been counted.

By the end of the second half of this year, the oil reserves totaled 2.25 billion barrels, 2.5 percent more than the total as of 31 December, that is, 2.194 billion barrels. During the half, the increase in natural gas reserves was also slight (0.68 percent), rising from 92.734 billion cubic meters to 93.365 billion cubic meters.

Those statistics will be submitted today by PETROBRAS' Directorate, during a meeting of the company's Administrative Council, for approval. The increment in the reserves was small, according to the company's technician, because there were no large-sized discoveries during the period.

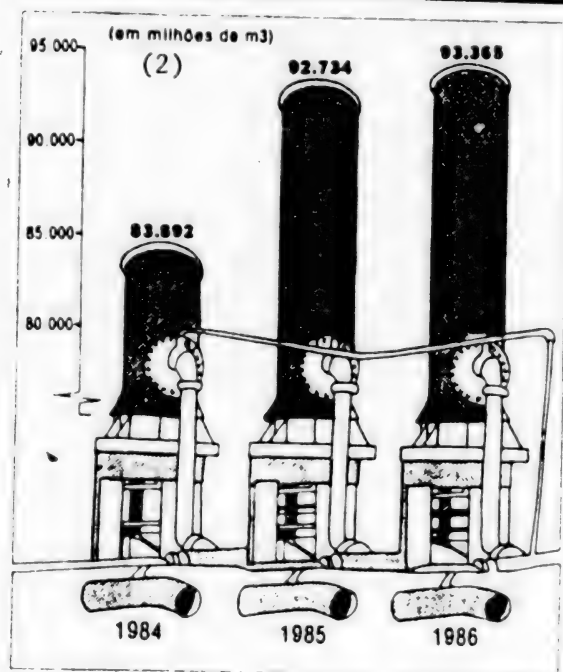
According to the specialist, based on PETROBRAS' internal reserves code, only the oil or natural gas discovered which can be produced is incorporated into the country's reserves. The technology for production in deep water is still under development by PETROBRAS and all over the world.

In the Albacor gigantic field, it is estimated that there are reserves amounting to 500 million barrels of oil and 150 billion cubic meters of natural gas. In the Marlin field, the prediction is that there are reserves totaling 2.5 billion barrels of oil and slightly over 100 billion cubic meters of natural gas.

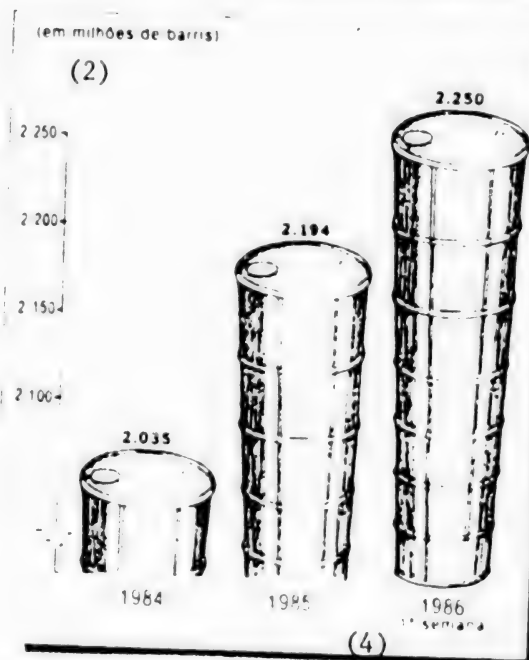
Balance Sheet

Also scheduled to be submitted to PETROBRAS' Administrative Council today are the results of the company's balance sheet for the first half of the year. On this occasion, the distribution of a dividend will be proposed, in anticipation of the results for the fiscal year, amounting to 16.00 cruzados per package of 1,000 shares, which in real terms represents a 20.4 percent increase over the dividends paid during the same period last year. PETROBRAS' net profit during the half was 15.2 billion cruzados, and the profit per package of 1,000 shares was 151.80 cruzados.

(1) AS RESERVAS DE GAS...



(3) ...E AS DE PETROLEO



Key to Graphs:

1. The Gas Reserves...
2. (in millions of cubic meters)
3. ...And Those of Oil
4. (1st week)

2909

CSO: 3342/180

BRAZIL

BRIEFS

PT CONCERN OVER SUPPLY CANDIDACY--PT's [Workers Party] regional executive body met yesterday to assess the campaign of its candidate for the government, Eduardo Suplicy, concerned over "the apparent decline suffered by the party" in the latest polls. At the conclusion of the meeting, the coordinator of Suplicy's campaign, Marco Aurelio Garcia, admitted that incidents such as the holdup of the bank in Salvador by PT members and the press reports on the Leme conflict "contributed particularly to the decline of PT." The candidate thinks that he will react with radio and TV ads, and with the debate on 24 August. Yesterday, Suplicy also challenged Paulo Maluf, of PDS [Social Democratic Party] to open the doors of his company's ranch in the Angatuba region for an investigation of the reports of slave labor. [Text] [Sao Paulo O ESTADO DE SAO PAULO in Portuguese 19 Aug 86 p 4] 2909

CSO: 3342/180

CHILE

FRG REQUESTS AGREEMENT TO PROTECT INVESTMENTS

PY280350 Santiago Domestic Service in Spanish 2300 GMT 27 Aug 86

[Excerpts] A tour through different countries is being planned by Economy Minister Juan Carlos Delano to promote foreign investments in Chile. The economy minister made this statement during ceremonies that were held to commemorate the 70th anniversary of the Chilean-German Chamber of Commerce, which was held at the Club de la Union. Present at the ceremony were President Pinochet, Foreign Minister Jaime del Valle, and Public Works Minister Bruno Siebert, among others. Also present at the ceremony were 400 German descendants, and the new FRG Ambassador Horst Kulak-Ublic.

Economy Minister Delano first reviewed the Chilean economic situation.

The economy minister noted that in the first months of the year Chilean exports to the FRG have increased by 18.1 percent while imports increased by 12.9 percent. Delano said that this means that overall trade has experienced an increase of 16 percent in which important institutions, like the Chilean-German Chamber of Commerce, have played an important role. Delano said that these institutions play an important role in the nation's development because they inform us about our situation abroad in a clear and objective manner.

FRG Ambassador Horst Kulak-Ublic has requested the signing of an agreement for the protection of investments during the 70th anniversary of the Chilean-German Chamber of Commerce. The FRG diplomat, who delivered a speech at the ceremony that was presided over by President Augusto Pinochet and three ministers, noted the important bilateral trade between the two countries. He said that last year FRG-Chilean trade totaled \$300 million and the balance was favorable to Chile as has been for many years.

Later the FRG ambassador referred to the Latin American foreign debt by noting that the mere decrease of 1 percent of international interest rates would mean savings of about \$4 billion.

He said Chile is known throughout the world for its good financial management.

[Begin Kulak-Ublic recording] Chilean policy regarding the economy and the handling of the foreign debt has had the approval of governments and financial institutions despite the fact that this has not been reported by the mass media. But it has [words indistinct] in the treatment of international organizations and the Paris Club all of which is a positive aspect for future cooperation. [end recording]

CHILE

PINOCHET ON FOREIGN DEBT PAYMENT, DEMOCRACY

PY210323 Santiago Radio Chilena in Spanish 2300 GMT 20 Aug 86

[Relay by Eliana Henriquez from Chillan where she is covering President Augusto Pinochet's visit]

[Text] President Augusto Pinochet said today that Chile will not be able to pay its foreign debt if some foreign nations suspend their credit assistance. The chief of state made this remark during a meeting with the community of Coihueco, located at 27 km from Chillan, where he is ending a 3-day visit to the southern region. In an impromptu speech, General Pinochet criticized nations and foreign representatives who believe they own the world and seek to introduce their ideas by pressure. He added that those countries send to Chile ambassadors who do not know the country and then make statements, which do not reflect the truth and hurt the country's dignity. Pinochet then affirmed that Chile is the only nation that has paid its debts on time, but in spite of this, some foreign publications are suggesting that assistance be withheld from the Chilean Government. He added that other countries are making assertions that Chile is not a democratic country, but the thing is that those countries understand democracy in another way. Pinochet further said that the military nature of the regime is also criticized, disregarding the fact that the Chilean military officers are not dunces. To attain the rank of general, Pinochet said, a Chilean officer must successfully take 12 courses.

[Pinochet recording on education of Chilean military officers indistinct]

During his impromptu speech, the chief of state affirmed that everyone must defend the Constitution which although not very good is a good shield with which to defend ourselves against Marxism-Leninism. He then said that the country is experiencing difficult moments, not because of real problems necessarily, but because of fictitious problems being created by a group of people and politicians who want to take everything without offering anything in return; they want power and the reins of government.

President Pinochet, his wife, and the retinue accompanying him during this 3-day visit to the 7th and 8th regions of the country, headed for the Chillan airport to return to Santiago at the end of this meeting with the community of Coihueco. They arrived in Santiago at 1800 [2200 GMT].

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CSO: 3348/781

CHILE

PCCH WILLING TO SUPPORT PROVISIONAL GOVERNMENT

PY291317 Madrid EFE in Spanish 2343 GMT 28 Aug 86

[Text] Santiago, 28 Aug (EFE)--The Communist Party of Chile [PCCH] today stated that it is "willing to support a provisional government that has been reached through a consensus, a government that will replace the dictatorship, restore democratic rights, meet the people's demands for justice, and call a constituent assembly."

In a public statement, the PCCH "endorsed a multiparty political system and the restoration of human rights as established in the UN Declaration on Human Rights."

The PCCH denounced "Pinochet's evil plan" of seeking "to convince the nation and the international community that Chile is being threatened by the so-called Marxist threat."

The PCCH added that in order to implement his "evil plan," Pinochet has orchestrated "a show of arms caches allegedly smuggled into the country by the Manuel Rodriguez Patriotic Front, making his publicity apparatus work at full steam."

In addition, "a violent wave of repression aimed at all opposition sectors has been unleashed." This repressive wave is aimed at preventing the opposition from uniting and seeking "to consolidate the high command around him (Pinochet) and eliminate any resistance from the Navy, the Air Force, and the Carabineros to his aspiration to continue in power beyond 1989."

In the opinion of the PCCH, "today's alternative is not dictatorship or Marxism, or dictatorship or communism, but dictatorship or democracy," stating that the PCCH stands "for an advanced democratic system that will implement substantial changes in all state-owned institutions."

The PCCH also urged all Chileans "to continue participating in the struggles, especially in those scheduled for September, promoting civil disobedience and rebellion, and creating a state of ungovernability, using all possible means."

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CSO: 3348/781

CHILE

PDC COMMUNIQUE REJECTS VIOLENCE, SEEKS DEMOCRACY

PY291432 Santiago Radio Chilena in Spanish 2300 GMT 28 Aug 86

[Text] The Christian Democratic Party [PDC] today reaffirmed that it rejects and condemns all groups, institutions, movements, or fronts that advocate or support violence or terrorist actions, according to a communique released by the PDC National Executive Board.

In the communique the PDC states that the people have recently learned of extremely serious events. It recalled that the government has reported the discovery of several arsenals of high-powered weapons, enough to equip hundreds of soldiers.

The communique indicated that the PDC totally and absolutely repudiates those responsible for such deeds. PDC Vice President Claudio Huepe, a former deputy, read some of the contents of his party's communique for Radio Chilena.

[Begin Huepe recording] 4. The discovery of arms as powerful and as abundant as has been reported is so serious that, irrespective of who is responsible, the situation must be clarified to the satisfaction of the people at large and no effort must be spared to accomplish this.

5. In order to assure credibility--both domestic and international--we propose the appointment of a commission of well-known personalities. The objective of this commission will be to report seriously and truthfully about these grave events to the entire nation. [end recording]

The communique adds that the fact that these arms were brought into the country shows that the government is incapable of dealing with terrorism, and goes on to say:

[Begin Huepe recording] 7. We reject and condemn once again all groups, institutions, movements, or fronts that advocate or support violence or terrorist acts. We hold them responsible for any future confrontation or war in the country.

8. We reiterate that our political alliances do not include those who advocate or support terrorist or violent acts.

9. We reiterate our decision to seek means and ways to lead us to a true national agreement based on a peaceful transition to democracy, as both the Democratic Alliance and the National Civic Assembly, each within its own sphere of action, have repeatedly proposed to the country. [end recording]

The PDC communique concludes by stating that this party repudiates any attempt to thwart Chile's return to institutional normalcy.

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CSO: 3348/781

CHILE

SOCIALIST PARTY DENIES CRISIS IN MDP

PY301326 Santiago Radio Chilena in Spanish 2300 GMT 29 Aug 86

[Text] The Socialist Party Almeyda Faction, a part of the Popular Democratic Movement [MDP], has denied reports that the organization is facing a split. This denial is included in a note that was read to Radio Chilena by Raul Diaz, a spokesman of the party's Central Committee.

The note says that press reports have stated that the MDP is facing a crisis, and that these reports have allegedly been released by a member of the Socialist Party.

[Begin Diaz recording] The report states, among other things, that we have reached the extreme limit of our relations, and that we cannot continue in this manner within the MDP. In view of this situation, the Chilean Socialist Party wants to explain the following:

1. It is absolutely false that a member of the Central Committee of our party, or any authorized source, has released this report.
2. The report refers to opinions given by other MDP members who are not identified.
3. It is our party's policy, and that of its sources, to responsibly identify itself when expressing an opinion to the people, but this is not the case in the reports. [end recording]

The statement adds that the Socialist Party rejects the press reports which say that the situation has reached the extreme limits of abandoning the MDP. On the contrary, it states, that it is not leaving the MDP because the MDP represents the most important alliance within the strategic field, and that all efforts seek to continue strengthening it.

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CSO: 3348/781

CHILE

INTERIOR MINISTER VIEWS OPPOSITION DECISION

PY302359 Santiago Radio Chilena in Spanish 1700 GMT 29 Aug 86

[Relay from Government House by Eliana Henriquez]

[Excerpt] Good afternoon. Interior Minister Ricardo Garcia has called William Thayer's and Juan de Dios Carmona's decision to join the National Labor Front, headed by Sergio Onofre Jarpa, a joint effort against violence and extremism. Thayer and Carmona are leaders of the Socialist Christian Movement.

The interior minister stated that this decision represents an acceptance of the call he made last week on a television network, to achieve unity among all those who want a democratic, sound, and free process.

[Begin Garcia recording] I would say that this decision to join the National Labor Front represents an acceptance of the call I made for the unity we all want, a desire to achieve peace in the process that Chile needs for its development, progress, and well-being.

In this regard, the government views favorably this decision to seek unity around a common principle, against violence and extremism. [end recording]

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CSO: 3348/781

CHILE

JARPA SETS OBJECTIVES OF NATIONAL LABOR FRONT

PY292311 Santiago Radio Chilena in Spanish 1700 GMT 29 Aug 86

[Excerpt] The National Labor Front is creating its own path, a Chilean path, without alliances with anti-democratic groups, and without connections to foreign governments or political organizations. Former Interior Minister Sergio Onofre Jarpa made these remarks when asked whether he would seek an agreement with the National Accord to begin a joint campaign to demand free elections in 1989.

Jarpa, the top leader of the National Labor Front, has stated that we are now organizing civilian support for future political actions. We must worry about electing a congress, electing a president of the republic, and organizing the support of the citizens for the new government.

With this objective, we are laying the foundation for this civilian organization, and we hope that it will have the support of most Chileans, Jarpa stated.

Asked whether the National Labor Front will seek rapprochement with the National Accord in order to demand a constitutional amendment allowing free elections in 1989, the former interior minister of the current regime stated:

[Begin Jarpa recording] We are creating our own Chilean path, with no alliances with anti-democratic groups, and with no connections to foreign governments or to foreign political organizations. Thus, anyone can join this Chilean path. We know what we must do and we will continue to do it firmly and resolutely in order to achieve our objectives. But as I said, we have our own plan and we will continue to develop it. We do not need alliances with people who seek different objectives from ours. [end recording]

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CSO: 3348/781

CHILE

LUIS CORVALON ON WAYS, FORM OF STRUGGLE

London THE AFRICAN COMMUNIST in English No 105, 2nd Quarter 1986 pp 81-85

[Article by Luis Corvalan]

[Text]

The powerful popular struggle that swept Chile in September 1985 shook Pinochet's dictatorship to its foundations and generated widespread response throughout the world. The fascist regime is going through a very difficult period. The days of protest helped to create a new situation. Pinochet has now been abandoned by most of his right-wing friends. Differences are surfacing among members of his cabinet and there is quarrelling among the military, who are trying to find a way out of the current impasse.

The coup of September 1973 was staged under the pretext of "saving" Chile from communism and from an economic crisis. In actual fact, it overthrew a democratic government that was building an independent economy, successfully overcoming the difficulties created by imperialism and internal reaction. Twelve years later one can state that the dictatorship has not only failed to destroy the Communist Party but that the party has turned into the most militant force of the opposition, a force whose influence is growing, while the fascist junta is disintegrating before our very eyes. Nor is there any doubt that it is the dictatorship which has plunged our country into economic crisis by applying the neo-monetarist policy of the Chicago School and submitting to the dictates of the International Monetary Fund. More than 30 per cent of our labour force are unemployed; real purchasing power has diminished drastically and so has production for the domestic market. Trade sales have dropped; the external debt, which was no more than four billion dollars twelve years ago, is now 23 billion. During Pinochet's rule the country has lost some 40 billion dollars merely due to the growing discrepancy between the prices for the products it sells to the United States and other developed capitalist countries and the prices it pays for their goods.

Today, Chile lacks the international independence it enjoyed under Salvador Allende. The structural crisis is more acute than ever and demands many radical transformations, above all an essential change of government. Our party therefore advocates the establishment, on the basis of a broad coalition, of a progressive democratic government capable of putting into effect the necessary anti-imperialist transformations, introducing democracy throughout the government structures, including the armed forces, reviving the economy and boldly tackling the problems that the Chilean people face. This government will lay the foundations for a subsequent transition to socialism.

Step Forward

Should a clearly bourgeois-oriented democracy replace the dictatorship, this will also be a step forward compared to the current fascist regime, although a government of this type will be unable to lead the country out of the crisis, let alone meet the urgent needs of the masses. Nevertheless, the CPC will support an administration of this type in all its moves consonant with the genuine interests of the country and of the people. At the same time, we will continue to fight for more profound transformations and for advanced democracy.

Let us recall that Salvador Allende always distinguished between enemies and opponents. The latter he saw as those who held different but not antagonistic positions. Today, Pinochet and his clique who have been and still are trying to destroy the CPC, to put an end to communism and to physically exterminate the Communists are our enemies. Our opponents — according to Allende's classification — are those whose views both differ from and coincide with ours. They do not share our commitment to socialism, but we are united with them by our common objectives for the immediate future and for the medium-term prospect. These are forces that are mostly progressive and that fight against the dictatorship. We are acting jointly with many of them to uphold the interests of working people and the nation to secure the soonest possible return to democracy.

Our official relations with some opponents of this type are less favourable. We are holding meetings and discussions with them in a spirit of respect. However they are making impossible demands upon the Communists. They want us to give up our political course and turn into an appendage of the Democratic Alliance (DA)¹ and of its new right-wing allies. Publicly and privately, we are being urged to renounce force in the struggle against the dictatorship, to abandon some forms of our struggle, to use only peaceful methods. There are insistent pleas that instead of pursuing our own policy, we follow the dictates of other parties, above all the Christian Democrats. There are also demands that we keep a low profile because, it is claimed the presence of the Communist Party in the foreground may prejudice the return to democracy.

Chile's Communists believe that a decisive confrontation between the people and the dictatorship is the most likely prospect. As noted in the report of the Political Commission to the latest plenary meeting of the party's Central Committee,

"we believe that it will take the form of a mass uprising involving the entire population, most of the political and social forces and perhaps part of the Armed Forces opposing the dictatorship. We refer to a state of general rebellion which will truly paralyse the country: popular action in the key urban centres with the decisive participation of the industrial proletariat, students, middle strata and peasants. This action must be backed by effective blows to paralyse the dictatorship and help to accelerate the moral and political disintegration of its repressive forces. This process should culminate in the capture by the masses of the main political centres of the country."²

Nationwide Strike

On the other hand, the mobilisation of social forces launched by the National Headquarters of Chilean Workers is continuing, and the ideas of active non-violence and civil disobedience are making headway in the parties of the Socialist Bloc³ and the DA. There is also broad support among the opposition for the proposal of a nation-wide strike in all spheres of activity, a strike that will make it impossible for Pinochet to control the country.

In the opinion of the CPC, our view about the probability of an uprising, as well as the assessments and ideas quoted above, contains all major elements necessary for the elaboration of an original course that cannot be schematically identified as either "violent" or "non-violent". In practical terms, this course can draw close to either option; it can be more or less "violent" or more or less "non-violent", depending on the scope of the revolutionary movement, on the resolve and militancy of the masses, on the changes that may occur in the behaviour and thinking of the military and on the stand they take at critical moments.

There is no Chinese wall separating peaceful and armed forms of struggle. They are not antithetical or irreconcilable; on the contrary, they are mutually complementary. We are speaking of an uprising and popular action. Others raise the question of civil disobedience and of making the country ungovernable. What is the essential difference here? If there is a difference, it is one of nuances. We see both approaches as expressions of the resolve to fight against the dictatorship from revolutionary positions. To a certain degree, all participants in social processes learn from one another, absorb and master the experience born of practical action by the masses.

The Communist Party believes that the outcome of the present situation will be close to our forecasts, although we must not discount other possibilities either. It is only the possibility of reaching agreement with Pinochet that we fully reject as illusory. At the same time, it would not be impossible to reach such agreement with the armed forces on condition that the tyrant be removed.

The struggle of the masses and concerted action by all opposition forces are now the basic, central and decisive elements. It is this struggle and this action that can put an end to the dictatorship. They are the principal factor behind the aggravation of the profound crisis of the regime. They have been and will continue to be the basis for the correct development of our movement no matter how conditions may change in the immediate future.

Lenin noted that the Russian proletariat could not have been victorious without revolutionary violence. But he was equally, if not more forthright when he added that

"revolutionary violence was a necessary and legitimate weapon of the revolution only at definite stages of its development, only under definite and special conditions, and that a far more profound and permanent feature of this revolution and condition of its victory was, and remains, the organisation of the proletarian masses, the organisation of the working people that constitutes the best stimulant for the revolution, its deepest source of victory."

We are guided by this principle. In other words, we hold that the movement of the masses is the most important thing, and that the use of violence, and its degree and advisability depend on specific conditions. This means that it is impossible to eliminate tyranny without a struggle which involves all the people; the national uprising which we consider the biggest probability will actually materialise only when, objectively, there is no other way out, when the people realise this and accept it as inevitable.

The choice facing every Chilean man and woman is not whether to use violent or peaceful methods but whether to fight or not to fight against tyranny.

Violence is inherent in all societies where antagonistic classes exist. The exploiters direct the brutal force of violence against their own people in order

to protect their self-serving interests and to resist the liberation movements and the class actions that threaten their profits and privileges. In turn, the peoples are forced, at certain junctures, to resort to violence if they see no other way of throwing off the yoke of oppression. This has always been the case — from the era of Spartacus and his forerunners to this day. Neither the French Revolution, the most important of those led by the bourgeoisie, nor the October Socialist Revolution, the turning point to socialism in human history, was an exception.

Who would deny these facts? Who can defend and support violence that is aimed against the people and criticise the people when they resort to violence in the struggle against a fascist regime? After all, those who do are making it clear that they do not reject or condone violence as such: they decide the matter depending on which class resorts to violence and who it is aimed against.

Notes

1. The DA comprises the Christian Democratic, the Social Democratic and the Radical parties, as well as the right-wing Republicans, part of the former Socialist Party and the Liberal Movement.
2. *Partido Comunista de Chile, Boletín del Exterior, No. 71 (extraordinary)*, 1985, p. 37.
3. The SB includes part of the Socialist Party, the Left Christians, the MAPU-Movement of United Popular Action and part of the MAPU Workers' and Peasants' Party.
4. V.I. Lenin, *Collected Works*, Vol. 29, pp. 89-90.

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CSO: 3300/86

CHILE

BISHOP REFUSES TO HOLD TE DEUM

PY292205 Paris AFP in Spanish 1927 GMT 29 Aug 86

[Text] Concepcion, Chile, 29 Aug (AFP)--It was officially reported here today that the bishop of Concepcion, Jose Manuel Santos, has cancelled for the third consecutive year the Te Deum that was supposed to be held at the Concepcion Cathedral on Chilean independence day, which is celebrated on 18 September.

The religious ceremony to give thanks for Chilean independence from the Spanish crown is traditionally held in all main churches of the country but in Concepcion, there will only be a eucharist of reaffirmation of the Catholic faith.

In instructions to his parish priests, Bishop Jose Manuel Santos noted that all the faithful, without distinction, will be invited to the service, and that no seats will be especially reserved for government officials as is done at all Te Deums, where government representatives occupy special front-row places.

In the Te Deums that are held in Santiago every 18 September the official government delegation is headed by the president of the republic, who is followed by all his ministers.

The tradition of holding Te Deums, which were almost exclusively attended by government authorities, has been broken in the past few years by Bishop Santos and other bishops from provincial dioceses in view of the cool atmosphere and frequent clashes that characterize the relations between the Chilean church and the military regime headed by President Augusto Pinochet.

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CSO: 3348/781

COLOMBIA

GOVERNMENT TO STUDY REOPENING RELATIONS WITH CUBA

Bogota EL ESPECTADOR in Spanish 12 Aug 86 pp 1-A, 11-A

[Article by Carlos Murcia]

[Excerpts] President Barco's government will open a debate in Congress today on the proposed Statute of Guarantees for the Opposition. It will soon begin a number of important activities in various economic, social, and political fields.

It will advocate many reforms in Congress including reforms of the state of siege so that it is applied only when there is a serious national disturbance. Other reforms deal with the general outline of the tax and budget system, the dismantling of Article 120 after agreement by the parties, reorganization of the public administration and the foreign sector, and urban and agrarian reforms.

It will also explore the possibility of reestablishing relations with Cuba in the near future, according to political sources.

Relations with Cuba

A decision on the reestablishment of relations with Cuba would only be made after carefully evaluating all aspects of the situation to see if the factors that led to the break 6 years ago under the Turbay Ayala government still exist.

Political sources indicated that the first steps toward a rapprochement between the governments of Colombia and Cuba would be taken through a private visit to Havana by the former minister of government, Jaime Castro, in response to an invitation from Fidel Castro. Castro has also invited former president Lopez to Cuba; he will go this week. Nobel Prize winner Gabriel Garcia Marquez will also attend that informal meeting.

In his recent meeting with foreign correspondents, President Barco did not discard the possibility that relations will be reestablished soon as part of his pluralistic foreign policy. However, he did not commit himself in a concrete announcement.

It was learned that there have already been some important gestures but they were not definitive. Negotiations with Foreign Minister Julio Londono Paredes could begin very soon although there has been no official report.

Former minister Jaime Castro went to the United States Saturday. He will then continue on to Cuba, apparently following a private itinerary and taking a vacation. However, he will also go to the United Nations for negotiations.

The foreign policy of the Barco government will be based on a broad political consensus. Therefore, the Foreign Relations Commission will meet more regularly. Yesterday Senator Luis Carlos Galan issued a communique on a talk he held with Minister of Government Fernando Cepeda in which they discussed the desirability that all political sectors participate in that.

President Barco visited the Ecuadoran Embassy to participate in the commemorative ceremony for Ecuador's national day. While there, he spoke with reporters about the situation of public order which, he said, has its ups and downs. He also discussed the possibility of gradually lifting the state of siege based on developing circumstances and alluded to foreign policy. He indicated that there is no dispute with Venezuela, just a delimitation of marine and submarine areas.

He also indicated that the task of selecting officials and installing them in the government is progressing. He stated that he will not appoint Conservative governors in view of the request made by the National Directorate of that party.

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CSO: 3348/701

COLOMBIA

1985 CENSUS REVEALS POPULATION TOTALS 27,900,000

Bogota EL TIEMPO in Spanish 7 Aug 86 p 3-B

[Text] Colombia "officially" has 27.9 million inhabitants and 5.9 million housing units. There are only 5 more women than men per 1,000 and 5.9 percent of the population is older than 60, according to the "general census summary" released by DANE [National Administrative Department of Statistics].

DANE issued the following report:

DANE has released the publication "General Summary of the 1985 Census" based on the final results of the 15th National Population Census and the Fourth Housing Census carried out last October.

There are 27.9 million inhabitants in Colombia and 5.9 million housing units. Detailed information on the census can be obtained from the data banks of DANE. Below are some statistics from the summary which we considered interesting.

The rate of growth of the population for the period 1973-1985 is 1.7 percent. During the period 1964-1973, the rate of growth was 2.9 percent.

The distribution of the population is 67.2 percent in the main municipalities (urban area) and 32.8 percent in the rest of the country (rural area). In the 1973 census, that distribution was 59 percent and 41 percent, respectively.

About 49.5 percent of the Colombians are men and 50.5 percent are women.

Some 11.9 percent of the population is younger than 5 years of age and 5.9 percent is older than 60.

The school-age population (between 5 and 24) represents 53.1 percent of the total population.

About 35.8 percent of the population reside in a different city than they were born in.

The rate of illiteracy among people older than 10 is 12.2 percent.

About 25 percent of the economically active population of the country are laborers and migrant workers. Some 30.6 percent are white-collar workers, 24.5 percent self-employed workers, and 3.7 percent employers. The rest are unpaid workers (5.9 percent) and domestic workers (5.7 percent).

Housing

Some 56.6 percent of the housing units have all public services (energy, water, and sewage system) and 17.7 percent do not have any.

About 59.2 percent of the housing units have sewage systems but 23.3 percent do not have sewage systems, septic tanks, or latrines.

Some 29 percent use electricity as their source of energy for cooking, another 29 percent use wood, 18.3 percent use propane, 13.2 percent use kerosene, and the rest use cocinol (6.8 percent) and coal (2.8 percent).

Some 70.8 percent of the housing units have water from aqueducts, 10.8 percent from wells or cisterns, 15.1 percent from rivers or streams, 1.5 percent from tankers, and 1.7 percent from rainwater.

This information and information on fertility and birth rates are in the mentioned publication, broken down by region, department, intendance, and commissariat.

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CSO: 3348/761

HONDURAS

DIAZ VIEWS PROTOCOL TREATY WITH U.S.

San Pedro Sula TIEMPO in Spanish 25 Jul 86 p 2

[Text] Tegucigalpa--The almost permanent presence of U.S. troops in Honduras was legalized yesterday when the National Congress, after a single debate, passed the additional protocol to the Military Assistance Treaty with the United States. The protocol deals with the jurisdiction of the penal courts over American troops, which have been stationed in this country since 1982.

The instrument, which was signed on 20 May 1985 between former Foreign Minister Edgardo Paz Barnica and Ambassador John Dimitri Negroponte in Washington, was passed with only eight deputies voting against it.

Deputy Efraim Diaz Arrivillaga asked that Congress delay the approval of the protocol and request a review of military relations with the United States.

He warned of the danger of "legalizing" the presence of American troops in Honduras, although the Constitution stipulates that foreign troops may only pass through the country in transit, and may not be stationed here permanently.

Carlos Montoya, who defended the approval of this protocol, said that Honduras must prepare itself militarily because the Nicaraguan Government "is expansionist."

The document states that "the authorities shall have jurisdiction over U.S. personnel in Honduras with respect to crimes committed in this country which are punishable according to its laws."

The United States "shall also have the right to exercise over U.S. personnel the penal and disciplinary jurisdiction provided for in its own laws."

The United States will also have exclusive jurisdiction over its personnel in regard to security-related crimes, such as treason, sabotage, espionage, or the violation of any law related to national defense.

The National Congress also approved a protocol a few months ago concerning the repair and maintenance of ports, airports and other military facilities used by the United States in the ongoing military maneuvers it is conducting on Honduran territory.

HONDURAS

RENDON, MONTOYA CHALLENGE LOPEZ ON CONTRA ISSUE

Presence Unrefutable

San Pedro Sula TIEMPO in Spanish 11 Jul 86 p 3

[Text] Tegucigalpa, 9 July--A member of President Jose Azcona's cabinet denied assertions by Honduran Foreign Minister Carlos Lopez Contreras to the effect that there are no counterrevolutionary forces on Honduran soil. The cabinet member said, "No matter how much they try to deny it, the Contras exist and are camped out on Honduran territory."

Lopez Contreras maintained yesterday that the Green Berets will not be allowed to be here to train the anti-Sandinist rebels, "because Honduras does not authorize the operations of the counterrevolution."

Nevertheless, Minister of Culture and Tourism Arturo Rendon said today that the presence of the Contras in Honduras "is a fact that we cannot ignore, and trying to hide it is like trying to hide the sun with your fingertip."

The high-ranking official contended that the Nicaraguan insurgents "have done a lot of harm to this country, and logically, no matter how much they try to deny it, the Contras exist and are camped out on Honduran territory."

The presence of the anti-Sandinist forces on Honduran soil has been denounced repeatedly by residents and coffee growers in the eastern department of El Paraiso, which borders on Nicaragua.

Rendon said that it would be "very risky" to predict what will happen to Honduras if the Contras do not achieve their objective after receiving the \$100 million in assistance from the U.S. Government.

He said, however, that "we cannot ignore the latent danger" involved in the presence of three armies in Honduras (the Honduran, U.S., and Contra armies), "which could at any moment bring serious consequences for the Honduran nation." (Taken from DIARIO LA TRIBUNA of Tegucigalpa)

San Pedro Sula TIEMPO in Spanish 11 Jul 86 p 3

[Text] Tegucigalpa--The president of the National Congress, Carlos Montoya, asserted that the Honduran Government is tolerating the presence of anti-Sandinist rebels on national territory "for humanitarian reasons."

Montoya's statement contrasts with Foreign Minister Carlos Lopez Contreras' denial that the government is allowing the presence of the rightist rebels supported by the United States.

"It is a fact, they are there," insisted the president of Parliament, contradicting Lopez Contreras' denial of the Contra presence in Honduras. The U.S.-supported rebels control a broad swath of Honduran territory bordering on Nicaragua, he noted, where they have installed what they call the "new Nicaragua."

Coffee growers in the eastern department of El Paraiso report that the Contras control 14,000 square kilometers of territory along the border, where they have set up their camps.

Montoya contended that the government is not expelling the Nicaraguan anti-Sandinists because "they are going to certain death in Nicaragua."

The politician expressed the hope that with the \$100 million in aid they have received, the Contras will leave Honduras and will go fight in their own country.

He argued that the Honduran Government has a policy of "remaining neutral" in the Nicaraguan conflict, although he admitted that the Contras are in Honduras.

The \$100 million is undeniably intended to promote a war in Nicaragua between the Contras and government troops, he stated.

The president of Congress made statements to a group of journalists at the conclusion of a meeting with a high-ranking official of the Agency for International Development (AID) who is assigned to Central America.

Montoya said that the official had stated that Honduras "is a loyal ally (of the United States), and we have problems because of that alliance" such as the massive presence of refugees from neighboring countries and of the Contras.

He reported that the official promised him he would try to maintain the present level of U.S. cooperation with Honduras.

8926
CSO: 3248/609

HONDURAS

PAPER VIEWS CONTRA AID, U.S. POLICY

San Pedro Sula TIEMPO in Spanish 9 Jul 86 p 6

[Editorial: "New Ambassador to Wonderland"]

[Text] Honduras could very well be a wonderland, though without the romanticism of the land visited by Alice. Here everything is magic, unreal, not to mention the ugly word /lies/ [word enclosed in slantlines printed in boldface]. Things are and they aren't; the real is confused with the imagined.

Honduras is a "free, sovereign and independent" country. Free, but with death squads, with most of the population unemployed and having nothing to put on the table. Sovereign, but occupied by three armies: the home army, the U.S. Army, and the Contras. Independent, but subject (for economic reasons and due to denationalization) to the dictates of the Reagan administration.

When the U.S. Government, based on its own will and sovereignty, decides to change its ambassador to another country, it always follows international protocol. It has not done so with Honduras in the case of Ambassador Ferch, however. Rather, it took action, and we read about it later in the newspapers. Any other country would consider that an insult, without denying a government's absolute right to change its diplomatic representatives.

We know perfectly well what this behavior by the United States means. It simply reflects a lack of respect and consideration, because we Hondurans do not demand respect. This country--with its governments--is a country of pretense and deceit, a country with no decorum or dignity.

We know that the new U.S. ambassador to Honduras, given the circumstances under which he has been sent, will not be an ambassador who takes interest in Honduras and works toward better Honduran-U.S. relations and development. He will be an ambassador in Honduras for the Contras. For the war launched from Honduras, if possible with Central American blood, particularly Honduran blood, to attack the revolutionary government of Nicaragua.

Any other country, faced with these events, would react accordingly. To even the accounts, it would return the insult by taking a logical diplomatic action: either delaying the approval of the new ambassador indefinitely, no matter who he is, or simply rejecting him out of hand and waiting for a new proposal.

It is not just a question of dignity, but one of political convenience as well. In view of such self-abasement and such manipulation, it is time we at least sent a signal that we are not the world's spittoon. And therefore, we are not willing to follow indications and policies that do not take into account the interests of the Honduran nation, but are merely the unilateral whims and bellicose follies of the Reagan administration.

We will soon find out, although there may be digressions that do not head in that direction, but rather keep us in the magic world of wonderland.

Proof? The foreign minister of the republic, Carlos Lopez Contreras, says that Honduras will not allow the arrival of the Green Berets to train the Contras, because there are no Contras in our country. As a syllogism, it is perfect. It is also a perfect lie.

Right now the Congress of the United States is preparing to debate this issue, whether to send 250 or more U.S. military advisers to train the Contras who are ensconced in camps in Honduras, with the official protection and support of the Honduran government.

This contradicts what the foreign minister says, that the government "could not allow that because Honduras does not authorize the operations of the counterrevolutionaries." A reverse image of the world. A world financed with about \$500 million, managed by the CIA, for its Contra army, to which an ambassador is now being sent from Washington.

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CSO: 3248/611

HONDURAS

CONTRA PRESENCE AUGMENTS TERRORIST THREAT

San Pedro Sula TIEMPO in Spanish 25 Jul 86 p 6

[Editorial: "Thoughtless Actions Result in Terrorism"]

[Text] As we predicted, one of the adverse effects of the presence of Nicaraguan counterrevolutionaries in Honduras, now that they are receiving massive economic and military support from the U.S. Government, will be the unleashing of terrorism in our country.

We are already seeing this happen in the capital of the republic, where last Wednesday a residence was machine-gunned--right in downtown Tegucigalpa. It happened at about 2300 hours, when the high command of the Nicaraguan Democratic Front (FDN) was holding a meeting there. The FDN is responsible for carrying out the CIA-directed war of the "Contras."

The events are too fresh to be able to draw definitive conclusions about the origin of the attack, which resulted in just a few bullet holes in the walls of the residence, along with the impact of some grenades, apparently smoke grenades. A few windows were broken, some automobiles were damaged, and maybe a few people were slightly injured.

According to the first news reports, the occupants of the house were no less than the top leaders of the Contras.

No one can ignore the seriousness of this event. Terrorism, no matter where it comes from, is a cruel and brutal scourge for society, and no one with any human compassion or a modicum of intelligence can or should justify it.

On the contrary, it deserves universal repudiation, and that is precisely what is being seen in the Honduran nation: a decisive, consistent condemnation of these methods of political struggle. Once such practices begin, they destroy the lives, property, and even the moral values on which society is based. They bring with them as an intrinsic element the seeds of indiscriminate repression, chaos, and the rule of violence.

In the experience of Central America and Latin America, terrorism acquires its own dynamic. As a result, after a while no one even remembers how it started or what causes engendered it. It even ends up becoming a system, as has happened now in Guatemala, El Salvador, and Chile, and as happened once in Argentina.

In quite a few cases, terrorism has become a business, and society remains defenseless, with no real guarantees, at the mercy of the system that is attempting to take over to provide social and political stability under a criminal order that subjugates the very minds of individuals. That, precisely, is the ultimate application of the national security doctrine.

As far as Honduras is concerned, for the moment we know the cause of the terrorism that is emerging here more quickly than expected: the presence of the Contras, who with the complicity of civilian and military authorities are spreading out over a vast stretch of Honduran territory along the border with Nicaragua. Their operations are headquartered there, but they are spreading like an oil slick and taking over cities such as our capital and even San Pedro Sula.

This new ingredient of social dissolution, added to the very serious social and economic problems that already plague us, is turning our country into a powder keg. Analogies are never exact, but at the rate we are going, we will soon see the Lebanonization of Honduras.

In view of the specter of war, the terrorism that has been implanted here, and the widespread poverty, where will it all end? What is the immediate and long-term future that awaits Hondurans, especially our children and youths? How can we meet the challenge of underdevelopment, with its components of ignorance, illness, hunger, and unemployment?

As the wise old saying goes, he who sows winds harvests storms. It would appear that this is the only sure harvest that Honduras can expect in this unfortunate situation.

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CSO: 3248/610

HONDURAS

FLORES DENIES DESTABILIZATION CHARGES

San Pedro Sula TIEMPO in Spanish 12 Jul 86 p 4

[Text] Tegucigalpa--Florism leader Carlos Flores Facusse denied yesterday that his group is trying to destabilize the government of Jose Azcona Hoyo by criticizing the massive dismissal of members of that faction from the public administration.

Carlos Montoya said Thursday that when the former Suazo Cordovists denounced the dismissals of their fellows and complained of persecution, they were engaging in an alleged campaign to destabilize the government.

Flores Facusse denied Montoya's assertion, arguing that it is merely a "pat justification" in response to criticism of the government.

According to the former minister of the presidency under the administration of Roberto Suazo Cordova, every time a finger is pointed at the current administration, it will respond that there is a destabilizing campaign.

He said that the dismissal of members of his group "is like tightening the screws so that they will bow their heads or give in to the official line."

The politician described as erroneous the government's attempt to justify the dismissals by arguing that in the past the Suazo Cordovists practiced political partisanism by firing Liberals from other groups.

He said that it is not true that the Azconists are behaving the same as the previous administration, because the people "voted against that."

The Florist faction, mostly made up of former Suazo Cordovists, has denounced the persecution of its followers and their dismissal from public administration posts throughout the country.

Under the Suazo Cordova government of which Flores Facusse was a member, it was customary to allege that destabilizing plans were afoot whenever errors in public administration were pointed out.

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CSO: 3248/611

HONDURAS

PALMA BLAMES GOVERNMENT POLICY FOR VIOLENCE

San Pedro Sula TIEMPO in Spanish 29 Jul 86 p 4

[Text] Tegucigalpa--The top leadership of the Christian Democratic Party blamed Jose Azcona Hoyo's administration for the acts of violence that have taken place in the capital as a result of the presence of U.S.-supported Nicaraguan counterrevolutionaries.

The president of the Christian Democrats, Ruben Palma Carrasco, told TIEMPO that "this is the responsibility of the government and Honduran foreign policy, which is dependent on the United States."

The politician stated that the government and even the National Congress "have not taken preventive measures to avoid this," and the lives of the Honduran people are endangered by this situation, according to Palma.

Last Wednesday night a group of unknown assailants attacked a residence in the Lomas del Guijarro neighborhood with a hail of machine gun fire and some bombs. At the time the regional leaders of the anti-Sandinist Nicaraguan Democratic Force were holding a meeting in the residence.

Palma remarked that Honduras' foreign policy of consenting to the presence of the Contras "endangers the people of Honduras."

He argued that the government should "adopt the patriotic decision of expelling the irregular Nicaraguan troops and eliminating the U.S. presence."

The politician said that because of the violent scenario that is unfolding in the capital, he is concerned that repressive measures may be unleashed against peasant, community and political leaders, breathing new life into the policy pursued by the former chief of the Armed Forces, Gen Gustavo Alvarez Martinez.

8926

CSO: 3248/610

HONDURAS

REINA BROTHERS BLAMED FOR M-LIDER FACTION DEMISE

San Pedro Sula TIEMPO in Spanish 12 Jul 86 p 4

[Text] Tegucigalpa--The Revolutionary Democratic Liberal Movement (M-LIDER) dissolved after the election from which President Jose Simon Azcona Hoyo emerged victorious.

Grassroots activists and leaders blame the Reina brothers, Jorge Arturo and Carlos Roberto, for the failure of this social democratic movement.

The Reina brothers began by immobilizing M-LIDER after the elections, and ended up becoming involved in Mr Azcona Hoyo's government, an unexpected move.

Constructive Opposition?

Under the administration of Roberto Suazo Cordova, Carlos Roberto and Jorge Arturo Reina took the lead in the opposition, calling for peace, democracy, non-intervention, and respect for national sovereignty, said the leaders.

Since Jose Azcona succeeded Suazo Cordova, none of the sins of that administration has been repeated; however, the anti-Sandinist army has grown in number and weaponry, U.S. troops remain on Honduran soil, and \$100 million is on the way for the Contras, they added.

Ambassador to The Hague

Leaders and activists of M-LIDER told TIEMPO that Carlos R. Reina compromised the movement by accepting the Azcona government's appointment as ambassador to The Hague.

The Central Executive Council of the Liberal Party (PL) had the least to gain from having M-LIDER withdraw its people from the PL, as M-LIDER did better at the polls than the Innovation and Unity Party (PINU) and the Christian Democrats.

Assembly?

Members began to desert the movement and go over to other internal factions of the PL or to other political forces that were being formed, because the

national leaders of the movement never wanted to convene the announced national assembly.

The people in the movement were furious because when it came time to distribute seats in the National Congress, Azcona and Callejas took the lion's share.

Grassroots leaders and activists demanded that the national assembly be convened so that M-LIDER's role within the Liberal Party could be defined. The membership was divided between those who wanted to form a new party and those who wanted to remain in the PL.

So far the national leadership has been unable to explain to the rank and file how M-LIDER intends to participate in the PL internal elections. In the departments of Cortes, Yoro and Atlantida, some have given up waiting for such instructions. Now they are working to merge M-LIDER with the PINU within the social democratic movement.

Liberal Federation

In the view of the M-LIDER members who are working on a merger with the PINU, Jorge and Carlos Roberto Reina went too far when they participated in the meeting of Central American and Caribbean liberal parties, which was held in Tegucigalpa. That assembly culminated in a vote of confidence for the Independent Liberal Party of Nicaragua, which several grassroots leaders of M-LIDER contend is the internal front of the Contras in Nicaragua.

8926

CSO: 3248/611

HONDURAS

HALL CLAIMS AZCONA SUPPORT

San Pedro Sula TIEMPO in Spanish 19 Jul 86 p 4

[Text] Tegucigalpa--William Hall Rivera, who aspires to be chairman of the Central Executive Council of the Liberal Party (CCEPL) and is private secretary to the president of the republic, asserted that he enjoys "the full support of President Jose Azcona Hoyo."

Hall Rivera also contended that the president has not released him or the minister of the presidency, Celeo Arias Montada, from their duties so that they can engage in political activities.

The politician, who was questioned by the deputies who are Azcona's own allies about his alleged indifference toward them, responded that "it is absurd" to say that he is campaigning on his own behalf by giving out subsidies.

He admitted, however, that he has given subsidies to municipal mayors "in his office" without pressuring for community projects.

This same practice was used under the former government of Roberto Suazo Cordova for the purpose of political proselytizing with the taxpayers' money.

Hall Rivera, who is also a deputy for the department of Yoro, told groups of journalists that "I am close to the president," and that "we enjoy the full support of the president."

He also stated that President Jose Azcona Hoyo "will not interfere in the internal politics of the Liberal Party" because of the disastrous effects of Suazo Cordova's past participation.

According to Hall Rivera, he did not put himself forward as a candidate for the chair of the CCEPL, but rather was nominated by "a group of friends" who feel that he can "be a unifying force among the Liberals."

He asserted that he is not "a desperate, anxious candidate," and in a clear reference to Carlos Montoya, he commented that trying to trip up one's rivals "is something that people do when they do not have confidence in their own worth."

He maintained that President Azcona has not released Celeo Arias and him to engage in politics because they are members of his government, although the leader did say a few months ago that he would not allow the administration to get involved in politicking.

He said that Azcona has authorized Arias Moncada to go down south to campaign during his off hours, just as he himself has been allowed to go to various parts of the country.

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HONDURAS

HERRERA CACERES ANNOUNCES RESIGNATION FROM UN POST

San Pedro Sula TIEMPO in Spanish 11 Jul 86 p 3

[Text] Tegucigalpa--Dr Roberto Herrera Caceres revealed during an interview yesterday that he has resigned from his post as Honduran ambassador to the United Nations because he disagrees with the top officials of the Foreign Ministry regarding the execution of foreign policy.

Herrera Caceres confirmed that on the 31st of this month he will be leaving the UN, and he asked the radio journalists from this capital city not to press him any further on the causes for his resignation until he has actually left the job.

The diplomat, who was ambassador to the European Economic Community (EEC) before taking the post at the United Nations, said that during his 10 years of work in the foreign service he based his actions on the principles of the government's policy.

"Our foreign policy, from the standpoint of the objectives it pursues, the ends and principles it upholds, and its constitutional basis, is accepted by all Hondurans," he said, alluding to general postulates such as maintaining peace and security and cooperating with other countries, as well as respect for the self-determination of other states.

"With regard to the reasons for my decision, in the interests of confidentiality and decorum I prefer not to reveal them for the present. Thus, my superiors have been apprised of the situation, and the only thing that matters is that I have made the decision," he added.

He explained, however, that the difference between him and the Foreign Ministry "may have arisen not in connection with the formulation of foreign policy, but rather in terms of its execution; (perhaps) some (of my) points of view are not shared by those who are currently implementing foreign policy."

Herrera Caceres stressed that each person has his own point of view "on how best to fulfill his duties," and he asked at least for "benevolence" to allow him to wait until 31 July to provide "more details."

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HONDURAS

COMMENTARY ADVISES AGAINST USE OF PUBLIC FUNDS

San Pedro Sula TIEMPO in Spanish 21 Jul 86 p 6

[Editorial: "Strike Solution Must Not Harm the People"]

[Text] The negotiations between the El Mochito Workers' Union and the transnational Rosario Resources Corporation have reached an impasse after a month-long strike, and the General Central Organization of Workers (CGT) is threatening to call a general strike in support of the miners.

The miners' union insists that the government should take responsibility for paying 2 million lempiras or more in compensation to the strikers because the collective bargaining contract was not denounced in 1985 (under the previous government).

The government, reasonably enough, refuses to make this outlay, considering that, first of all, this is a matter between the Rosario Resources Corporation and the union, not between the state and the workers. Moreover, the miners' union is entirely responsible for not having denounced the contract.

The workers of El Mochito, according to some of their leaders, contend that they have every right to receive the state subsidy because their strike was declared legal by the Labor Ministry. Of course that is not true. The strike may be legal, as all the law's requirements have been met to declare it legal, but that does not involve the government in the dispute.

Furthermore, the fact that the government is mediating in the conflict does not oblige it to pay any subsidy or other compensation to the workers. It does show, however, that the government has a legitimate interest in resolving a problem that the parties directly involved have been unable to solve, because that would create a climate of understanding and public order.

Unfortunately, in the last few years the trend toward expecting "big brother government" to pay all the bills (or repair all the damages) in labor disputes, primarily with the transnationals, has been on the rise. Indeed, the previous government did "solve" problems of this type by intervening in this manner, more for political reasons than for considerations of social justice.

These precedents, exemplified by the solutions that were devised for the problems with D'Antoni Hospital, United Fruit Company, and Texaco, among

others (which TIEMPO condemned at the time because they reflected an irresponsible attitude on the part of the government), are now even more pernicious because there is an movement afoot to make them established policy in dealing with social demands.

If the government of President Jose Azcona de Hoyo yields to this pressure, which could well be the fruit of an under-the-table understanding between the union and the corporation, it had better be prepared to face similar or greater demands in future labor conflicts between unions and employers of all types.

This would come at a time when the public treasury is being nibbled away on all sides and the fiscal gap is widening, which will have very dangerous consequences if it is not stopped soon. In other words, everyone wants to take money out of the public coffers, as if these revenues were unlimited and everlasting.

Unfortunately, the painful truth is just the opposite: The treasury will receive less than expected from coffee exports and the projected savings from lower international oil prices. In addition, the demagoguery of the previous government has made necessary major outlays for teachers, doctors, unions, and other labor associations; and the present demagoguery of the National Congress has been equally to blame for irresponsibly distributing tax revenues and lowering the rates charged for public services.

The problem between the El Mochito union and Rosario is difficult to solve satisfactorily, because at this time the business is operating at a loss. It is a fact--although it may seem absurd--that the transnational could declare bankruptcy and make good money in the United States by obtaining an exemption from income taxes.

Thus, it is a question of seeking a solution that will not cause more harm to the workers but will also not be at the expense of the state, meaning the people of Honduras.

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HONDURAS

GOVERNMENT SILENCE QUESTIONED AFTER ICJ SUIT

Tegucigalpa LA TRIBUNA in Spanish 30 Jul 86 p 5

[Text] The Sandinist commanders have chosen this time to take Honduras and Costa Rica to the International Court of Justice to accuse the two countries of allowing the Nicaraguan counterrevolutionaries to operate in their territory.

In our case, our border dispute with El Salvador is still pending in the International Court. For that purpose, the Foreign Ministry is supposedly making all the necessary preparations, compiling all the documentation demanded from on high so that we will not have to turn over territory that belongs to us. The United States, which was also sued by Nicaragua, decided that the International Court lacked jurisdiction because the matter was political. In the absence of the United States, the court ruled on the case, and it is our understanding that it found in favor of Nicaragua in its ruling on that country's suit. But since the gringos do not accept the jurisdiction of the court, now the Nicaraguans plan to take their protest to the United Nations Security Council.

Our case is not the same as that of the United States. We unquestioningly accept the jurisdiction of The Hague. That is why our border dispute with El Salvador is being heard by that court. Thus, we must face this suit by Nicaragua with both our eyes open.

To respond to the suit filed by the Sandinists, perhaps the first step would be for the Honduran Foreign Ministry to clarify its position. First it said that the Contras "do not exist officially" in Honduras. Now it is saying that they do exist, that they come and go, that they stay here, that they appear and disappear, but that "they are not authorized." It is hard to believe that such large groups of armed men can remain in our national territory, can run wild like unpenned bulls, can come and go freely like a man in his castle, and that the Foreign Ministry is fully aware of all this without taking any action to rectify the situation. This means that groups of Libyans, Tupamaros, members of the PLO, and the like can come here and wreak havoc on national territory with impunity.

Something that is not authorized is not permitted. And the function of the National Army, as we understand it, is to ensure the full exercise of our

sovereignty. This means that the foreign minister is telling the Supreme Council of the Armed Forces that they are not fulfilling their constitutional obligation. Because the Foreign Ministry cannot and should not sit back passively and watch something that is not authorized by the government and that violates the law.

If the operations of "armed groups" (aside from the National Army) are not authorized, and they do exist and the Foreign Ministry sits on its hands, then any armed group from any place can camp out on our territory as if there were no authority here, no government, no nothing.

On the other hand, we want to ask the Foreign Ministry: How many formal protests have you lodged with the Sandinist Government as a result of the constant incursions of its troops into our national territory, in violation of our sovereignty? How many times have you sent an official note of protest over the aggressive acts that have been perpetrated against us in recent months? Have copies of these notes been sent to the appropriate international organizations? And if these notes have been drawn up and these protests have been lodged, why have they not been reported or publicized in the mass media?

If Nicaragua is suing us in The Hague and making us out to be the aggressors, the providers of territory, the bad guys, then in this case it strikes us as very strange that the Foreign Ministry is remaining silent in the face of the aggression perpetrated against us by the Sandinists. Or is it the case that since this government took office, the Sandinists have not touched our national dignity with so much as a rose petal? And if they have publicized their complaints to the utmost, to the extent of formally accusing us in the court of The Hague, why are we observing total silence here? Is there some interest in having the world see us as the bad guys, the violators of international law?

"We are going to analyze this problem, but we are serene," says the foreign minister. Let us hope that this serenity is not really sloth, and that the Sandinists do not take us by surprise in The Hague while the Foreign Ministry takes its time analyzing and thinking that the moon is made of cheese.

8926

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NICARAGUA

HEAD OF GENERAL STAFF ON REASONS FOR CONTRA DEFEAT

Managua BARRICADA INTERNACIONAL in English 14 Aug 86 pp 3, 6

[Text]

At the end of 1985 Minister of Defense Humberto Ortega stated that the government's political and military initiatives during that year had put the counterrevolutionary project on the road to an irreversible strategic defeat. That process of strategic defeat has intensified this year. Even the Pentagon's strategists admit that the contras are incapable of carrying out major operations, to say nothing of overthrowing the Nicaraguan government. Political analysts agree that as the defeat of the mercenary forces advances, the danger of a direct U.S. intervention to "stop the communist threat in the region" - using the Honduran army or its own forces - increases.

Seven months after Ortega's announcement, the deputy minister of defense and head of the army's general staff, Commander Joaquin Cuadra, explained how the war has evolved during the first semester of 1986.

The following is a summary of the interview granted by Cuadra to Segovia, the monthly magazine of the armed forces.

How has the process of strategic defeat of the contra advanced?

At the beginning of the year, the counterrevolutionaries' main efforts were aimed at infiltrating and gaining a foothold in the central region of the country: the departments of Boaco, Chontales, and nearby areas of Zelaya.

They were trying to recover part of the territorial and social base lost during 1985 in the northern departments of Matagalpa, Jinotega, Nueva Segovia, Madriz and Esteli.

This base is of vital importance for them. In part because, in terms of logistical support, it means access to food and information networks; but it is most important to them as a recruiting ground to replace their casualties.

A scattered peasant population living in remote, hard-to-reach areas, where the effect of the Revolution had been minimal or nonexistent, represented an ideal source of new fighters.

The Jorge Salazar operational commando, the most important unit of the so-called Nicaraguan Democratic Force (FDN), entered from Honduras through the mountainous corridor that divides the Pacific coast from the Atlantic coast, and established itself in northeastern Chontales, southeastern Boaco and central-western Zelaya. From there they hoped to operate in the municipalities of these departments, and, in particular, along the Juigalpa-Rama-Bluefields route, the main line of communication - by land and water - between Managua and the Atlantic.

However, the actions carried out by our territorial and irregular combat units not only inflicted heavy casualties on them when they attacked some villages, but also restricted their mobility to the uninhabited jungle of Zelaya.

At the same time, our operations in the northern Atlantic region and the rest of the country impeded any new attempt by the counterrevolution to set up stable bases inside the country.

It is no coincidence that most of their actions have been aimed at ambushing, harassing or destroying civilian targets.

What does the deepening of the strategic defeat mean in numbers?

The counterrevolutionary forces need to be able to replace, within a given time frame, the casualties they suffer in each campaign. They also need to be able to grow, to develop.

When, at the end of the semester, we made a numerical comparison between their

casualties and the people they have abducted - their main method of recruitment - we found that the gap is very wide: the number of fighters they have today is much smaller than what it was at the beginning of the year.

As of the beginning of July, contra casualties included 2,745 deaths and 300 captured. Our intelligence and security sources reveal that, in that same period and through increasingly violent means, they were able to abduct 259 persons.

We also know that during the last few months the contras have developed a campaign of forced recruitment inside the refugee camps in Honduras, which are supervised by the United Nations High Commissioner for Refugees (UNHCR). Since most of the people in these camps are women, children and older people, we estimate that no more than 800 men able to fight could have joined their forces.

Even without considering that most of those kidnapped desert once they enter the country as fighters - the number of people kidnapped by the contra is almost equal to the number of those who have taken advantage of the amnesty law - there is still a large gap between the contra's losses and their possibilities for recruitment.

This is quite a change from previous years. Through 1984 and even part of 1985, despite the fact that we inflicted many casualties on them, they maintained the ability to replenish their ranks.

Today the social situation has changed. The isolated campesinos who used to struggle to farm a small plot in the mountains, easy prey to coercion or counterrevolutionary propaganda, now live in communities organized around agrarian reform and the defense of the land. This makes abduction much more difficult.

This is part of the reason why campesino settlements are one of the contras' favorite civilian targets, where they attack most viciously. They hope to damage the economy and also destroy the Revolution's political project in the countryside; they want to frighten the campesinos who have resettled and grouped together in cooperatives, forcing them to go back to their previous state of dispersion and thus become easy prey to counterrevolutionary coercion.

But these resettlements get stronger every day both in terms of production as well as in military self-defense, and this is yet another qualitative indicator of how the strategic defeat of the counterrevolution is deepening. Could the US\$100 million approved by

Congress for the contras reverse this process of strategic defeat?

From a tactical viewpoint it will benefit them. The US\$100 million will translate into a greater capacity to communicate, to deploy their forces, and into more powerful and modern weaponry.

Direct training by U.S. advisers might improve the contra's tactical maneuvers: massive use of airplanes and helicopters for deployment and supplies inside Honduras, provisioning and air support for operations inside Nicaraguan territory, and a greater antiaircraft ability. But from the strategic point of view, the balance of forces does not change, nor will the course of the war change in their favor.

We are not overly concerned about the US\$100 million being converted into weapons, communication equipment, helicopters, airplanes, supplies; but we do worry about its political significance.

Once again the CIA has a free hand to carry out operations against Nicaragua similar to those of 1983 and 1984. That is, an improved and augmented version of the piranha speed-boat attacks on Corinto, Puerto Cabezas, Bluefields, San Juan del Sur; surgical strikes on airports and other specific targets; the mining of ports and the blowing up of the oil pipeline in Puerto Sandino.

When these covert actions were denounced in the U.S., there was a significant political reaction. Today the CIA has the bipartisan support of Congress and of the entire government apparatus to carry out similar actions.

Contrary to what the Reagan administration claims, the approval of new financing and direct military training for the contras does not diminish the danger of a direct U.S. intervention. It actually increases it.

There is only a short step from training to getting involved in combat; it is only a small matter to go from airlifting supplies into Nicaraguan territory to air support for troops in battle. A chain reaction of incidents could easily take place: U.S. advisers are killed in combat, the Honduran army gets involved in border actions, a limited war begins between Nicaragua and Honduras, the U.S. supports Honduras, and finally, the U.S. invades Nicaragua.

In other words, the approval of the US\$100 million marks the beginning of a stage of increased aggression and introduces a new element: a green light for intervention from Democrats as well as Republicans. ■

NICARAGUA

'DONATIONS' OF SOCIALIST COUNTRIES DESCRIBED

Managua BARRICADA INTERNACIONAL in English 7 Aug 86 p 13

[Text] Musical instruments, painting tools and ballet shoes worth US\$50,000 were donated to Nicaragua's Ministry of Culture by the Czechoslovakian government. Upon receiving the donation, Minister of Culture Ernesto Cardenal explained that some cultural centers would have had to close if it were not for donations. The donation is part of an agreement signed by Cardenal and his Czechoslovakian counterpart during a visit the latter made to Nicaragua early this year.

As a member of the Council of Mutual Economic Assistance (COMECON), Czechoslovakia provides material donations, scientific and technical assistance, and bilateral commercial trade by way of a joint commission.

A few days earlier, Vice President of Czechoslovakia Miroslav Toman had signed a five-year agreement to train Nicaraguan professionals and technicians. Toman, who visited Nicaragua for the celebration of the seventh anniversary of the Revolution, had brought a donation of school materials as well as 29,000 meters of cloth for the garment industry.

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PARAGUAY

ANTIGOVERNMENT SLOGANS SUNG DURING STUDENT TOURNAMENT

PY211615 Asuncion EL PUEBLO in Spanish 20 Aug 86 Special Supplement p 1

[Unattributed report: "For a Free and Democratic University"]

[Text] Blessed be the sun that enlightens our life, and blessed be the darkness that comes after a sunny day.

Blessed be the voice that rises in the middle of silence, and blessed be the silence of those who know how to keep quiet.

Blessed be the love that appeases our hatred, and blessed be our hatred if we are not allowed to love.

Blessed be the bread that quiets our hunger, and blessed be the hunger of he who steals our bread.

Blessed be he who does not betray his people, and blessed be the people who kill those who betrayed them.

Blessed be the peace that lives in our song, and blessed be the struggle if we are not allowed to live in peace.

These words, sung by Gente in Camino before Maria Elena Walsh's "Travellers' Song," resounded in the crowded Engineering School building, where more than 5,000 people attended the opening of the University Tournament. Youths from 11 schools, youths who are not supporters of the dictatorship, are participating in the tournament. More than 5,000 voices joined to sing slogans against the regime, showing what this generation--which the reality of today rather than "the hope for the future"--actually wants.

The University Tournament was born 3 years ago as the youth's reaction against the lavishly and commercially managed University Games, which had been regularly manipulated by the Stroessnerist dictatorship. The schools of Theology, Medicine, Dentistry, Agronomy, Sciences and Technology, Accounting, Law (Catholic University), Engineering, and Chemistry participate in the tournament.

The tournament began modestly with the participation of six student centers, which worked hard to make it a cultural and athletic event involving only university students. This is a clean undertaking that does not give itself away to the dictatorship or to the multinationals, it is an example of honesty and idealism.

Sembrador, Ara Pyajhy, Priska and Cristina, Cantamerica, Gente en Camino, and the Namandu trio performed on the tournament's opening festival. The crowd twice sang the song "The United People Will Never Be Defeated." The festival ended near the hour of the curfew, which the Stroessner regime has disguised as a police edict.

The representatives of the schools reported the situation that their centers are going through, as well as the economic, internal, and police pressure to which they are being subjected. The student leaders agreed on the need to work for a democratic university, a task that inevitably calls for the democratization of the country.

In this regard, Law School (National University) student leader Paraguayo Cubas reported on the repressive policies adopted by the Superior Councils of the National University and the Catholic University. The following leaders also spoke: Andres Canese, of Chemistry; Carlos Galarza, of Sciences and Technology; Hernando Basili, of Engineering and the tournament's host; Hector Lacognata, of Medicine; Mabel Rehnfeldt, of Philosophy (Catholic University), the school that has done most for the tournament; Carlos Cabriza, of Law (Catholic University); and Ireneo Barreto, of Theology.

However, the University Tournament has just begun. It will feature several panel discussions and a story and poetry contest, in addition to the athletic competitions that will be held on weekends, without discontinuing classes.

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CSO: 3348/793

PARAGUAY

ABC COLOR PUBLISHER DISCUSSES PRESS FREEDOM

PY081857 Paris AFP in Spanish 0156 GMT 8 Aug 86

[Text] Asuncion, 7 Aug (AFP)--Aldo Zuccolillo, the publisher of the closed independent Paraguayan newspaper ABC COLOR, today said that it will be very difficult for his newspaper to reappear while General Alfredo Stroessner is in power because the head of state cannot tolerate press freedom.

Speaking to the international press on the 19th anniversary of the founding of his newspaper--which was closed by the government 2 years ago--, Zuccolillo reasserted the principles of press freedoms as the basis for the republican and democratic system. These principles prevailed in ABC COLOR until it was closed for an indefinite period of time.

Asked about the rumored imminent reopening of his newspaper, which coincided with the visit of U.S. President Ronald Reagan's envoy [Robert Gelbard] to hold talks with the Paraguayan chief executive, Zuccolillo replied that they are just rumors.

Contrary to the opinions expressed by some opposition leaders that Stroessner will be forced to hand over his power, Zuccolillo said that the head of state, who has been in power for more than 30 years, will tighten his grip.

Despite his prediction, Zuccolillo said that the head of state has received an ultimatum from the United States to force a democratic normalization in Paraguay, based on the following points: the reopening of his newspaper, the lifting of the state of siege, and authorization for exiled politician Domingo Laino to return.

Zuccolillo stated that ABC will reappear some day. He did not say when, but hinted that it would be soon.

When asked how ABC would describe the Paraguayan Government when it reappears, Zuccolillo replied: A dictatorship.

The Paraguayan journalist said that the United States holds the purse strings and can at any time push his country toward democratic normalization. The U.S. ambassador in Asuncion, Clyde Taylor, has specific orders from his government to maintain relations with the opposition, which irks the regime and has resulted in harsh epithets from Stroessner's high-ranking officials for Taylor.

As proof of this, Zuccolillo said that if the United States, Brazil, or Argentina were to discontinue their trade or their financial assistance to Paraguay these guys would be at each others throats within a week.

Zuccolillo compared the current international pressure on the Paraguayan Government to that suffered in 1979 by Nicaraguan dictator Anastasio Somoza a few days before he rapidly left his country as a result of Sandinist harassment.

The United States has discontinued its arms supplies to the Paraguayan Armed Forces, as it did in Nicaragua during the Somoza rule, just a few months before his downfall.

Zuccolillo said that during the former Nicaraguan dictator's exile in Asuncion in 1980 he said that the arms embargo imposed by the United States caused his downfall. The ABC publisher said that Somoza commented to him that when the Sandinista revolution ended, the Nicaraguan Armed Forces had barely 6,000 bullets left.

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CSO: 3348/793

PARAGUAY

BRIEFS

RADIO NANDUTI BROADCASTS JAMMED--"The spring for Radio Nanduti is over," was the first thing owner Humberto Rubin said when asked about the interference that has again been affecting his radio since the night of 15 August. "I had very positive feelings when a short time ago they stopped the interference. I thought something was changing in this country. Now that everything has returned to where it was before, the result is negative," he added. Rubin said that the visit of U.S. envoy Robert Gelbard "made things better. Gelbard strongly defended human rights and the freedom of the press, and for a moment it appeared that with his visit things would improve. There really was some improvement, but the spring has ended." He said that "it reached the limit when they blocked out the reading of a letter from the government delegate in Boqueron, Benitez Rickman, about the visit of the general prosecutor from Salta, who also visited with President Stroessner. It was a nice item. The prosecutor, in turn, invited people for the folkloric festival in Salta, and as the censors probably heard the mention of the Salta festival several times, they might have understood it was said in defense of the Vpacarai festival, so they jammed it several times." When asked about the measures to be taken over the jamming, Rubin did not hesitate to answer. "There is nothing we can do, we can only hope for another spring with the visit of another foreign official." [Text] [Asuncion EL DIARIO in Spanish 19 Aug pp 10, 11 PY]

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CSO: 3348/793

PERU

REPORT ON POLICE FORCES: CHANGES, PROBLEMS

Lima QUEHACER in Spanish No 41 Jun-Jul 86 pp 86-101

[Special Report: "The Police in Peru," by Raul Gonzalez]

[Text] The first part of the police reorganization undertaken by the present government has ended. Nevertheless, things do not appear to have changed greatly among the police. What are the problems not yet dealt with by the minister of interior? Has the retirement of several hundred officers been sufficient? In this report, various daily participants in the police chaos state and explain what still remains to be done in order to achieve the kind of police that we all desire.

I

Location: Ricardo Palma in Chosica. Date: Tuesday, 15 April 1986. It was 30 minutes before the start of the curfew when the Civil Guard second lieutenant, Jose Luis Rejas Albuja, and three other policemen on duty entered "Superman," a restaurant located in the middle of the central highway, at which nearly all travelers coming to or from the middle of the country stop. The policeman carefully observed each and every table in the place. Finally, he made a decision and headed toward one occupied by two women. One was 25 years old, not bad-looking, and answered to the name of Giovanna; the other was prettier, and about 15 years old; she was actually a child. The second lieutenant asked for their personal papers. The women took out some identity cards and several papers. "They won't do," they were told by the officer who ordered them to accompany him to the Chosica station. They protested: that was a different jurisdiction, they had done nothing wrong, they couldn't be arrested.... There was no opportunity to complain and, when they least expected it, they were already seated in the patrol car, now entering Chosica's No 65 police station. Giovanna was then taken to a hotel, and three guardsmen stripped her violently; then the second lieutenant took the 15-year old girl to his room by force; and the two women were raped. The curfew ended at 0500 hours in the morning, and the two girlfriends met again to hear the same order: No one was to be told about what had happened that night; no one. Otherwise, they would pay for such a disclosure with their lives.

In La Merced, 25 days earlier, on 21 March 1986, two sisters, one 13 and the other 16 years of age, had the same experience. On that day, Sergeant Alejandro Mantari and guardsman Esteban Vidal Villar arrested the two women for not having papers; they were taken to the police station, where they were handcuffed and raped. Not only that: they were not allowed to leave. When the townspeople heard what had happened, a widespread protest was promptly organized headed by Lieutenant Governor Antonio Malma, which went to the station. The policemen took up positions on their premises and fired several rounds with a submachine gun at the demonstrators. A few minutes later, they decided to allow the sisters to leave, because they were afraid of being lynched.

All those implicated in both cases have been dismissed; however, the various populations are still angry, inflamed and want nothing to do with the police.

On Thursday, 15 April 1986, a peasant, Leopoldo Choque, appeared at the Tacna police station in Tarata. The purpose of the visit: to deposit money for his children's support, since he was separated from them because of being divorced from his wife. The guardsman who dealt with Choque, Sebastian Claros, urged him to return. The peasant protested, and was rebuked for his obvious state of drunkenness. The response was not long in coming: the policeman took out his revolver and shot him pointblank. When Choque's friends and the mayor of Tarata himself began inquiring on his whereabouts, the first thing that they heard was that Choque was a terrorist and was being investigated. However, the truth soon became known: he was dead and buried. The other guardsmen have disclosed everything, and Sebastian Claros will be dismissed. Nevertheless, in Tarata the population is still angry, and the residents are not weary of condemning this new police mistreatment.

Almost every day, the Lima newspapers carry similar reports: A jealous guardsman who used his weapon to kill his wife's lover; a worker who entered a police station never to emerge; reports of robberies committed by some individuals in uniform; torture committed in the police stations: in other words, abuse, pure and simple; the abuse in which the victim is always the common, ordinary citizen who seems to be increasingly afraid, fearing an institution which, on the contrary, should be inspiring more confidence in him.

But the common, ordinary citizen also knows (or thinks he knows) that, if a guardsman arrests him, he can procure his release with a little money; that if he commits a traffic violation he can avoid having them give him the respective ticket if he bribes the uniformed officer who has caught him in the act. In short, he knows that everything can be achieved with money.

Nevertheless, the problems are not just between policemen and civilians. There are also others, that is, among the police themselves. For example, on Sunday, 6 April, in the sixth block of Los Incas Avenue, in Barrios Altos, the car of guardsman Walter Castaneda was struck by another car from which an officer from the same institution emerged and after identifying himself, hit the policeman in the face and fled. Castaneda, along with other guardsmen, went to the third police station to submit his complaint, but while he was doing so, Maj Pedro

showed up and gave him a severe beating. In the police forces' hospital they made the diagnosis: "contusions on the face and neck, and abrasions on the tongue": abuses from the upper echelons.

In December 1982, the Ministry of Interior's inspector general, Civil Guard Gen Antonio Nunez, released a horrifying report in which he claimed that there were officers "who implicate their subordinates not only in the consumption of liquor, gambling, and other degrading vices, but also in collecting money extorted from the public to fill their pockets with dirty banknotes, unquestionably with the complacency of certain unscrupulous superiors who do not adopt any measures, despite the complaints that exist." And the result of this behavior, according to the same general, is none other than the following: "The honest citizens are afraid to visit our police stations, posts, and other offices unless they are provided with the pertinent recommendation; because, otherwise, they are almost always treated with contempt or belittlement, and they are denied or cheated out of the justice to which they have a legitimate right." No one paid any attention to him, and the carefully prepared diagnosis was left in the files.

No one paid any attention to him, and the police abuses increased, and the confrontations between the various police forces proliferated; in a word: the police institution became discredited in the eyes of the civilian population and quickly lost legitimacy.

II

"The police problems are many," claimed an officer who, for obvious reasons, requested not to be identified. "To begin with, we have the criteria used to select personnel. Over 3,000 candidates appear for the guardsmen, and there are usually 100 vacancies. Who are the ones selected? Those who meet a series of requirements: those with military bearing, the athletic men, and those who boast of being very strong and having violent reactions; but, at the same time, those who can readily be brought to submission, because it is believed that a guardsman cannot be a person who thinks or reasons. Not chosen are those with a calling for service to the community, the honest, peaceful men who are, at the same time, brave and incorruptible."

[Question] Do such men exist?

[Answer] Of course they exist. For example, aren't the firemen brave, honest unselfish men, with an indisputable calling for service to the community? Of course they are! But in the institutions, they think, as the popular saying goes, that "the simpletons should be firemen." In other words, they think that those who have those assets (which should be germane to and inherent in the policeman) are idiots; pardon the term, but that is so. It is thought that the policeman must be a cold, unthinking man, almost a robot, or automaton, who takes orders.

It's true; they think that the policeman should not be an honest, incorruptible man, but rather the kind of person that the officer in question describes so well.

The officer goes on to say: "How can a policeman be asked not to be unethical, if in order to join he has to pay favors, accept bribes, and buy 'influence,' in short, enter the circle of immorality and corruption? Such a man cannot be asked to be an incorruptible policeman. And when he leaves school, he encounters similar problems because, in order to be assigned to a good location and not an emergency site, or to Puno or Cerro de Pasco, he also must achieve good influence, he must pay. I am sorry to say this, but it is so. And if that policeman remains in Lima, he goes to a police station, and there everyone bribes; there everyone pretends not to notice things when there is a good tip to be had. And if that policeman does not do this, he will simply be disapproved of by the others, and will represent a threat, because he could be a potential informer...."

[Question] Then would you say that the institution is completely rotten?

[Answer] It is not, although that may seem untrue. There are honest, upright policemen; most of them are the ones who did not go to the "temptation areas" (customs, narcotics). The subordinates, on the other hand, are not corrupt; they do their bribing, but it is usually always on a small scale; they do so because they are poorly paid, out of desperation. And when they don't want to bribe, the population itself bribes them. Have you ever been stopped by a policeman for committing a traffic violation? Haven't you felt tempted to bribe him, if you haven't done so? Society itself corrupts the police, often without meaning to...."

Another Civil Guard officer (he has been urged to retire, with the reorganization of the police forces) claims the following, and he uses a set of multi-color graphics to illustrate it.

"The institutions are none other than the product of a society, because they are its virtues and flaws. Hence, communitarian institutions, institutions which share the values of that society, befit a communitarian society. An individualistic society, won over by false values, will deserve institutions of the same type. So, let us ask, in the first place, in which type of society do we live? Isn't this a society in which sexuality, drugs, terrorist violence, individualism, and the lack of a civic conscience prevail? Yes, it is. Therefore, the institutions are corrupt and perverted. No one is concerned about his neighbor; everyone thinks and acts in terms of the ego. Hence, the police are exposed to many temptations and they are also won over by false values. But, my friend, the entire society is not corrupt; therefore, not all the police institution is. That is why I say that, to change and offer the real significance and spirit that institutions such as the police should have, we must first make the entire population understand that it is what must change."

The officer draws one picture after another, thinks, and speaks emotionally.

[Question] In other words, a radical social change is what you would propose?

[Answer] When one mentions change, many think of a revolution. I do not; I think of the affirmation of democracy in a Christian society that would reassess its lost values, in a society in which everyone acts along the right path.

However, this officer's ethical judgment does not conceal an indisputable truth: The institutions, and certainly including the police, are only a reflection of the societies which have created them, which have given birth to them.

One guardman claims: "The reorganization of the police forces was requested for the first time by subordinate personnel. It was on 5 February 1975. We also asked for unification of the three forces. However, not one of us have been asked why we requested these two things...."

[Question] And why did you request them?

[Answer] Because we have suffered personally from the officers' immorality; because we know how the commanders restricted us economically when we wanted to do the "raids" (rural patrolling) in Iquitos to catch narcos, because the narcos pay well... Because we think that the regulations are obsolete, that it is impossible to merely dismiss bad officers, allowing them to go home with a pension and a group of privileges....

Another civil guardsman claims: "We asked to have the policeman reassessed and vindicated as a person. At present, the subordinate is a recipient of orders, an automaton who often has to do things that he does not want to do...."

III

According to the Constitution of Peru, the function of the police is confined to maintaining internal order, preserving public order, and guaranteeing the fulfillment of the laws, the security of individuals, and that of public and private assets, as well as preventing and combating crime.

This is based on the Constitution; however, the police institution has historically been diverting its attention and reducing its tasks to other more subordinate ones. The reason: The police in Peru, and especially in Lima, grew at the rate of the city; in other words, without any planning or rationality. The consequences: Hundreds of officers and guardsmen were detailed to an equal number of police stations which were created in every district or slum that came into existence. So, the police began an accelerated process of bureaucratization; because, at the cost of neglecting the patrolling service, they embarked upon tasks associated with secretaries, such as making reports, domicile certificates, and various records. The policemen were confined in their unstable police installations, and began to be diverted to office work.

If anyone noticed this situation, nothing was ever said or done. And each officer wanted to have his own police station, his bailiwick.

One of the officers interviewed by QUEHACER claims the following in this respect:

"The first thing that should be done is to close such police stations and order all the policemen onto the streets. In Peru, we need more patrolling and fewer police stations. I would do the following: divide Lima into four zones, create

a headquarters in each of them, equip it with computers, hire good secretaries, and assign expert officers to administration, so that they could supervise all the work. If you are robbed, lose your papers, or want to file a complaint, then go to the headquarters. On the other hand, the headquarters would be the coordinating center for all the police who go onto the streets to patrol. I assure you that everything would progress better, and, what is more important, you would find a policeman on every corner."

But the problems facing an institution such as the police go beyond the important organization and distribution of personnel and, as another one of those interviewed, also an officer, maintained:

"The police have to confront organized types of crime, such as the rings of drug traffickers and kidnappers and the terrorists; organizations which, in many instances, have a logistical capacity exceeding that of the police. And this is significant, because it requires the institution to operate militarily and permanently. The result is unfortunate, because they give up the fundamental task for which they were established: to safeguard public order."

A subordinate makes the following claim:

"No one understands us. They order us to put down a march, or break up a rally. If you don't obey, you lose your job, and they punish you. Besides, when immobility is declared, no one can leave, and we have to work over 48 hours a week, without pay for overtime. They put you in quarters and don't allow you to go home; they pay you little. So, why wouldn't the policeman go out angrily and enraged to break up that rally or that march? Do you think that the policemen who are poorly paid don't support the workers when they go out to demand an increase in wages and salaries? We would be insane if we didn't agree with them. But, what can we do? In the emergency zone, the guardsmen have been forced to kill people. If they didn't do so, they would lose their jobs, and could even be accused of being Senderists. Who protects us? No one. No one understands the police."

In fact, what is not understood is the function of the police and this institution's place in society. To many politicians and also to many of those in charge of the police institutions, this has been a taboo topic, and hence it has never been discussed; among many reasons, because it was in their interest to maintain the institution as such, to preserve an order that was giving them easy jobs and enabling them to live well, purely and simply.

So, the police have been bureaucratized. However, something else happened. The most organized types of crime, such as drug trafficking, soon turned their glance toward the officers, the police, offering them flattery, gifts, percentages, and money, to corrupt them. And many officers did not know how to say no, or could not do so.

The first officer interviewed maintains: "Corruption exists; that is why there is resistance to change. That is why there are among the police profitable positions to which the brightest ones go, and positions for the duller ones.

such as administrative jobs, serving as aides, and even in intelligence. Since they pay no money, no one wants to go...."

One guardsman makes the following assertion:

"Many guardsmen are corrupt because there are no concrete examples of morality in the institution. Look, even the judges in the police judicial area often have to pretend not to see things because they are colonels, and a colonel cannot become demanding toward a general. The commanders, on the other hand, are the ones who take the arraignments. What type of examination can they make? The administration of justice is limited by a ranking system."

In summary, the police bureaucratization has been compounded by the temptation for money, and corruption which has urged the police from outside to commit crime, uniform and all.

But there is something else: The social situation has become increasingly more violent. Crime has increased and subversion made its appearance in 1980. The result: Never have the police felt that they could lose their lives at any time and in any place as they do now. And they opted to take advantage of the occasion to give free rein to their basest passions, without anyone doing anything to stop it or to offer them a solution.

A member of the PIP [Peruvian Investigative Police] claims: "Many policemen think that they may die at any time. Therefore, they try to make money so as to at least have something to leave to their families."

A civil guardsman expressed the following opinion in this regard:

"You can't imagine what a guardsman who comes from the emergency zone experiences. In the first place, he joined the force there "because of the requirements of the service," it is claimed. He has not been trained for it; he is not used to killing, and he has to do so, because, otherwise, they would kill him or dismiss him. That policeman returns and goes out onto the street. Has anyone considered that he might need a psychological examination? No one. That policeman is often no longer what he was before. Do you know what has also happened? The institution has become discredited, and everyone has a bad opinion of us. There are many who think that, since you consider us worthless, we should behave like that: like a worthless person...."

IV

One of the first measures adopted by Alan Garcia's government was to order the reorganization of the police forces. Thanks to this arrangement, more than 1,000 officers have been retired. Subsequently, they began working on what was to be considered the second major step in the police reorganization: the restructuring of the curricula and study plans of the institutions which train officers and subordinates.

The progress made is unquestionably of particular significance; nevertheless, it could prove insufficient if all the problems noted here which the police themselves have undertaken to list are not dealt with.

In the first place, it must be clearly defined what the function of the police is. Is it a matter of maintaining public order, or preserving a certain social and political system? On one occasion, Balzac wrote: "Governments pass, societies, die, the police are eternal." It is not overly exaggerated to say that; to many officials and politicians, that saying is the justification (to be sure, an unconscious one) for the design of an institution more concerned about preserving itself and maintaining the social and political system that allows it to survive than over public order itself, which is theoretically its *raison d'être*. Hence, it is necessary to answer a question which may seem fundamental but which is currently more urgent than ever: For what purpose do we want a police force? What is its social function?

Secondly, it is necessary to revise the organization of the police institution because we certainly need more policemen on the streets and fewer police stations. We need to debureaucratize the police institutions, exposing them increasingly less to bribery and corruption which, as has been established, occur very easily in police stations.

Thirdly, it is necessary to revise the internal regulations and the legal provisions which govern the activity of the police. If their function is different from that of the military, they cannot continue to operate with military regulations and incursions into the Code of Military Justice.

Along with these three problems, we must also deal with those involving salaries and promotions and, in short, everything that is a daily encouragement or frustration to those who, one day, decided to wear a uniform which, some day, should be reassessed.

The Origins

The history of the police dates back to our early colonial times, when the Spaniards created the riflemen, a small body of men whose mission was to pursue and capture the conspiring Indians and make the majority of mortals convert to the Catholic religion and obey the rules of the conquistadores. Soon, however, they declared themselves powerless to carry out the assignment. The reason: There was increasingly greater opposition, more rebellion and increasingly forceful protests when women and children were seized by force and required to go in chains to serve as beasts of burden for those who had captured them.

Thus, the "cuadrilleros" (a kind of rural police), night watchmen, and undercover agents were created. However, their mission was the same: to pursue Indians, force compliance with rules, and subjugate rebels. The police at that time were dressed very elegantly: with a long cape, a feathered hat with a blue headband, a ruff of duchess lace, a brown vest, trousers of the same color with let trim, and a velvet belt from which a sword with a gilded quillon was suspended.

There was just one reason for the existence of these policemen: to enable the conquistadores to make their domination possible; to consolidate and preserve a system.

During the republic, the night watchmen were created, and later the national guard. Neither operated as had been intended. Therefore, in 1921, Augusto B. Leguia contracted a Spanish mission to organize a police force for him. And that is what the Spanish Civil Guard officers did: they created a police force in the image and likeness of the Spanish counterpart. The mission created a general directorate, formed an officers' corps, and opened a police academy and a traffic service, with police stations and a section to investigate crimes; in short, it left Peru an institution to guarantee internal order which, however, would soon have to take to the streets to confront the Aprista insurrection and social protest. And, just as in colonial times, the police would have to pursue rebels, conquer desires, and force compliance with the rulings emanating from the central authorities.

With the passage of years, the Civil Guard was complemented by the Investigative Police and a corps specializing in overseeing public services, infrastructure, and borders: the Republican Guard. But, as the years elapsed, the three police corps also ended up confronting social protest and making that task their reason for existing. For example, the Republican Guard created a corps to fight subversion whereas, theoretically, what was supposed to be done was to allocate those resources to strengthen the specialized corps that existed in the Civil Guard for those duties (even though the latter was not to our liking).

Perhaps one of the main problems explaining the reason for the discreditation of the police, in addition to corruption, is the use that has been made of them by many governments (especially those of Morales Bermudez and Belaunde); in other words, the abusive, violent treatment toward the civilian population and social protest.

Hence, making the Peruvian police an institution respected by all Peruvians entails a prior discussion of the function that this institution must fulfill in society, and an understanding on the part of rulers that they cannot make use of the police to enact unpopular measures. It may seem utopian, or overly naive to cite this type of issue; however, it is not. It is a matter of bringing up whether it is possible to make democracy in Peru something more than a mere declaration.

The Demands of the Subordinates

There are 14 points in the current "list of demands" which the Civil Guard's subordinate troops want to be studied by those who have undertaken to reorganize the police forces. They are:

1. Decent, realistic salaries to cope with the cost of living and to prevent unethical acts resulting from need. Also, pay for immobility and housing, and abolishment of improper deductions.

2. Assignment based on the Code of Police Justice in keeping with the individual features and specific mission of the police. The Code of Military Justice (which governs them) subjects the police and forces the obeying of orders detrimental to their dignity and their principles.
3. Respect for job stability violated by mere decisions by directors, and a reconsideration of the dismissals ordered arbitrarily.
4. Unionization, or the creation of a similar fitting organization to guarantee unlimited respect for the rights of the police and their human condition.
5. Demilitarization of the legal professionals assimilated into the FFPP [Police Forces]. They have been subjected to ranking scales which damage their autonomy. The assimilated professionals should occupy positions in the courts, and not those of armed officers.
6. Professionalization and reclassification of subordinate personnel, inspired by educational, ethical, and social principles. At present, physical condition is given priority over intellectual qualities, and submissive obedience over reflection, and indifference toward social phenomena is encouraged.
7. New internal regulations. The existing ones are incompatible with the State Constitution and the Universal Human Rights Declaration.
8. Improvement in working conditions. The current ones are unwholesome and dangerous, and the weekly service exceeds the 48 hours stipulated by the Constitution. Penalties depriving persons of freedom proliferate without a right to appeal for relief.
9. A General Auditing of the Housing Cooperatives and the FFPP Welfare Fund. .
10. Repeal of the unconstitutional Laws 18081 and 19846, which freeze the pensions of the FFPP.
11. The victims and policemen incapacitated in the performance of their duty should be promoted periodically based on a principle of equity, so that they or their family members may benefit from an increase in pensions.
12. Total health and social assistance. The FFPP hospital does not fulfill its objectives. There is an unseemly and unfair discrimination toward subordinate personnel in comparison with officers.
13. Investigation and punishment of the ring of officers who control income or sell promotions.
14. An effective reorganization, unification, and moralization of the Civil Guard, the Investigative Police, and the Republican Guard, aimed at restoring the citizens' confidence and eliminating that image of corruption, violence, and authoritarianism that they are showing at present.

Command Was Lacking

At 1850 hours on Monday, 9 June 1986, four members of the Tupac Amaru Revolutionary Movement entered the premises of the Police Club located on Garcilaso de la Vega Avenue in Lima and, after exploding a dynamite charge at the door of the center's building, attempted to burn it by sprinkling oil for domestic use on the carpeting. They did not succeed in their mission because an officer, Second Lieutenant Juan Lopez, intercepted them along the way and because the guardsmen watching the newspaper OJO located opposite the Police Club fired at them and covered the main entrance. Several officers were in the club and immediately fell to the floor with weapons in their holsters.

Fifteen minutes later, patrols from the three police forces met at the door of the attacked building, surrounded the block, took up positions on the roofs, evicted the local residents, and began firing left and right. There was also shooting inside the club: it was the policemen who intended to repel the attack. The shooting lasted 2 hours, until those firing inside the premises and those outside realized that the Tupac Amaru members had escaped via the roofs at the very time that the newspaper OJO's guards decided to take action. About 2100 hours at night, the Ministry of Interior issued a communique in which he noted that the attackers had escaped "mixing in with the passersby walking by that site at the time." In other words, the police (both those inside and those outside the building) had been shooting for 2 hours at an enemy who had fled and were in safety.

The incident can only reveal the non-existence of a command. It didn't occur to anyone to use a megaphone and ask those who had entered the premises to surrender. If that had been done, those located inside the club would have realized that those outside were police also. They didn't even use the telephone. They spent 2 hours shooting at each other, and it was only after that length of time that they had to accept the fact that the Tupac Amaru members had escaped.

How can such a mistake be justified? As the result of the presence of several authorities in the operation, one for each police force, or as mere ineptness combined with fear and perplexity? The fact is that, if the police had acted wisely and with common sense the attack on the Police Club would not have been anything more than another of the many known to the public. That did not occur, and the incident became a political event of major significance which occupied the front pages of nearly all the newspapers.

How They View Themselves

The graphics which we offer were prepared by a Civil Guard officer, and are intended to explain the different problems of the police institutions.

The first one identifies the police as a product of the society which gave them their origin. A communitarian society deserves an ideal institution; an individualistic society won over by the so-called "false values," on the other hand, will deserve an institution inclined toward evil.

The different police institutions are ranked in the second category and are associated with the state authorities. The Republican Guard oversees public services and so-called strategic points; the Civil Guard comes under the executive branch, its mission being to see to public order and to combat those who do not obey the laws that the executive branch must enforce. The GC's task: to prepare the report and to conduct a summary investigation which in no instance may last over 24 hours. Those committing crimes must be sent, at the end of the period, to the judicial branch, to which the Investigative Police must be subordinate. According to the author of the diagram, if this were the organizational chart, the Civil Guard could by no means hold a person for over 24 hours, and the PIP, controlled by the judicial branch, could not commit any type of abuse.

The third graphic compares the pay earned by members of the Armed Forces with that of the police forces. The state offers the former various benefits: gasoline, schools, housing, markets, health, recreation, etc. Hence, their salaries are not spent on covering their main necessities, as in the case of the police, but rather on more general consumption. For this reason, the policeman resorts to bribes in order to compensate for his meager income.

The fourth graphic illustrates the difference between the military and the police: Whereas the former consist of changeable personnel, coming from Compulsory Military Service, the police have professional "troops." Nevertheless, both are judged by the Code of Military Justice.

These are unquestionably suggestive graphics showing how the police view themselves; and they are without doubt worthy of consideration.

(1) POLICIAS MUERTOS POR ACCION DE LA SUBVERSION
(2) (M. y o 1980 - Febrero 1986)

	80	81	82	83	84	85	86	Total
(3) Guardia Civil		6	22	33	44	27	3	135
PIP				3	1	2		8
(4) Guardia Republicana			7	15	9	14	5	50
(5) Sanidad FF.PP.					1			1
Total		6	31	51	55	43	8	194

(6) Datas oficiales

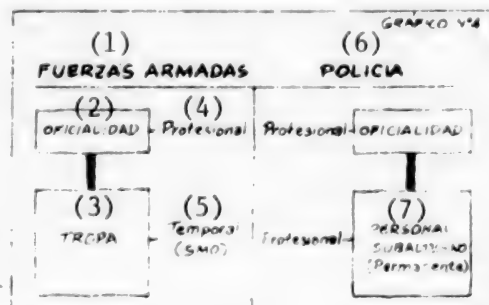
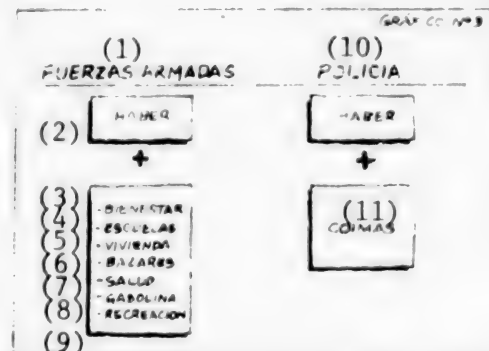
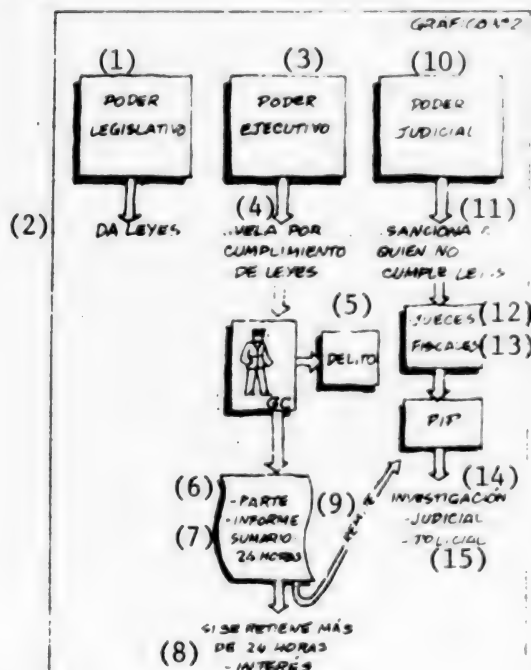
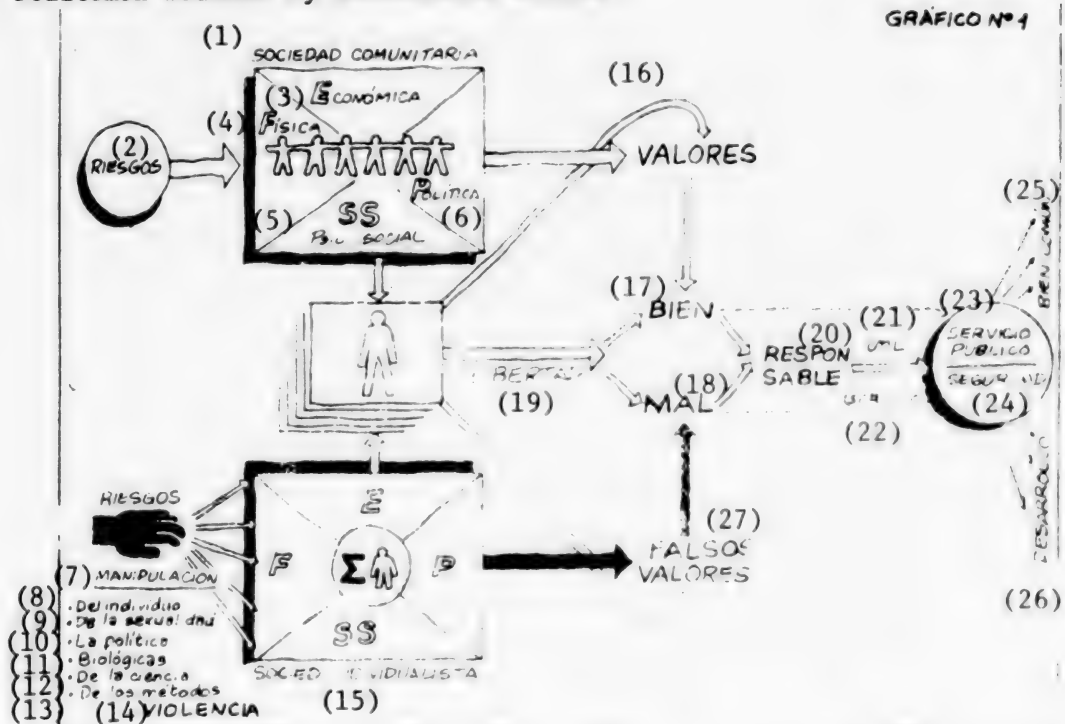
(7) POLICIAS HERIDOS POR ACCION DE LA SUBVERSION
(M. y o 1980 - Febrero 1986)

	80	81	82	83	84	85	86	Total
Guardia Civil	21	17	60	89	79	50	2	318
IP		2	2	10	17	2		33
Guardia Republicana		3	14	13	14	12	7	63
Sanidad FFPP		2			2	1		5
Total	21	24	76	112	112	65	9	419

Datas oficiales.

Key to Table 1:

1. Policemen killed by subversive action
2. May 1980-February 1986
3. Civil Guard
4. Republican Guard
5. Police Forces Health
6. Official figures
7. Policemen wounded by subversive action



Key to Graphic No 1:

1. Communitarian society
2. Risks
3. Economic
4. Physical
5. Social-psychological
6. Political
7. Manipulation
8. Of the individual
9. Of sexuality
10. Political
11. Biological
12. Scientific
13. Concerning methods
14. Violence
15. Individualistic society
16. Values
17. Good
18. Evil
19. Freedom
20. Responsible
21. Useful
22. Service
23. Public service
24. Security
25. Common welfare
26. Development
27. False values

Key to Graphic No 2:

1. Legislative Branch
2. Promulgates laws
3. Executive Branch
4. Oversees compliance with laws
5. Crime
6. Report
7. Summary report, 24 hours
8. If held over 24 hours - interest
9. Remit
10. Judicial Branch
11. Punishes those who do not obey laws
12. Judges
13. Prosecutors
14. Investigation
15. Police

Key to Graphic No 3:

1. Armed Forces
2. Pay
3. Welfare
4. Schools
5. Housing
6. Markets
7. Health
8. Gasoline
9. Recreation
10. Police
11. Bribes

Key to Graphic No 4:

1. Armed Forces
2. Officers
3. Troops
4. Professional
5. Temporary (SMO) [Compulsory Military Service]
6. Police
7. Subordinate personnel (permanent)

2909

CSO: 3348/768

URUGUAY

SEREGNI, FERREIRA ALDUNATE ON MILITARY AMNESTY ISSUE

Trials Necessary Says Aldunate

PM281752 Barcelona LA VANGUARDIA in Spanish 25 Aug 86 p 7

[Interview with Uruguayan National Party Chairman Wilson Ferreira Aldunate by Santiago Palacios: date, place not given]

[Text] Buenos Aires--National (Blanco) Party Chairman Wilson Ferreira Aldunate believes that the plan for an amnesty for the military promoted by President Sanguinetti "jeopardizes social peace and upsets the functioning of the constitutional system."

Nevertheless, the leader of the main opposition force admitted in an exclusive conversation with LA VANGUARDIA that he shares the aims prompting the president to submit a "national pacification" plan to parliament.

However, Wilson Ferreira deems it essential to hold some trials, especially in proven cases of flagrant rapes of detainees by their captors.

Wilson agreed to the interview a few hours after his summit meeting with Sanguinetti. Here is the conversation:

[Palacios] Why, in your opinion, is an amnesty not the best way to achieve a reconciliation between the opposing sectors of Uruguayan society?

[Ferreira] The amnesty would not achieve the desired aim; on the contrary, its approval would jeopardize social peace, assail the normal functioning of the constitutional system, and harm the Armed Forces themselves more than anybody else. The country needs to be pacified, to emphasize the future, and to finally close a very painful chapter in its history. My party is not prompted by aims of revenge, but we believe that anything that ties us to technical formulations could be counterproductive. At the personal level I am optimistic that an agreement can perhaps be reached between the country's political forces, comprising the government and the opposition, and, if this is not possible, that at least an agreement among some of them will be achieved.

[Palacios] What is your opinion of the declaration approved by a group of retired generals who operated under the Armed Forces' government, including

five former commanders in chief of the Uruguayan Army, taking responsibility for their subordinates' actions?

[Ferreira] It does not seem to me that the Armed Forces' prestige is to be defended by taking pride in actions which were nothing to feel proud of. It is said that the country experienced a dirty war and that all wars are dirty. This is an opinion which may be shared but which can never be used to justify, for instance, the rape of a woman detainee by her captors. The Armed Forces' necessary rehabilitation in Uruguayan society will not be possible until an elementary examination of conscience is conducted. Those drafters of manifestos and proclamations would do better if they took refuge in anonymity, which could be their best safeguard. If they keep quiet, it will be more likely that we will forget them.

[Palacios] Is this amnesty advocated by the Uruguayan Government comparable with the amnesty proclaimed in March 1985 for the benefit of the political prisoners sentenced by military justice?

[Ferreira] It is not, because that law opened the prisons' doors for those who, in thousands, in some instances endured 12 or 13 years' imprisonment in subhuman conditions without having enjoyed the guarantees of a real trial by an independent or respectable justice.

[Palacios] The National Party will in its turn submit its plan for parliament's consideration. What methods will it promote to resolve the problem?

[Ferreira] It will be aimed at specifying the Supreme Court of Justice's jurisdiction, prescribing summary proceedings which will prevent cases dragging on in the courts. Our plan for the "defense of democracy and national pacification" will restrict trials to those cases which have been the subject of complaint prior to its approval and to the gravest crimes; adopting, moreover, the necessary guarantees to avert situations provoking political tensions and eliminating the possibility that the investigation, for instance, of crimes now affecting the civil status of children taken from their parents at the time of their detention and still missing could be accepted or prevented in the course of time.

Categorical Rejection by Seregni

PM020820 Barcelona LA VANGUARDIA in Spanish 26 Aug 86 p 9

[Interview with Uruguayan Broad Front leader Liber Seregni by Santiago Palacios: date, place not given]

[Text] Buenos Aires--The Blanco Party, although inclined to find a negotiated solution, has given its rejection. Broad Front leader General Liber Seregni expresses his opinion even more categorically: "It is the whole of society which demands that the deaths and disappearances be elucidated." In a conversation with LA VANGUARDIA, the leader of the coalition comprising the left-wing forces said that he could not imagine a stable democratic system "if it is accepted that those who violated human rights should go unpunished by the law."

[Palacios] What does the Broad Front propose instead of a solution to this problem which constantly seems to jeopardize the process of redemocratization of Uruguay?

[Seregni] We have said that our demand that the law take action is made in the certainty that it is the essential condition for democracy to be consolidated. In order to heal the wounds of the past, it is essential that the facts be clarified, that it be known what happened, and if crimes were committed--everything suggests this--that the civil law take action. Hence the slogan brandished by the Broad Front: "Truth and Justice." It is not our intention to seek revenge, nourish hatred, or preach vengeance; we demand truth and justice.

The Broad Front believes that it is necessary to elucidate, within the scope of the law, the cases concerning human rights violations in which military and police personnel are involved.

[Palacios] Will the Broad Front put forward an alternative bill to that which the government will submit to parliament in the next few hours?

Consensus Solution

[Seregni] We have not contemplated this because we advocate, and have advocated since the November 1984 elections, a consensus solution among all the political forces. At that time we all accepted the agreement that the party which emerged victorious in the elections would not promote hatred or revenge, but that justice would be meted out to those responsible for the crimes against humanity committed against Uruguayan citizens inside and outside the country's borders.

Today the stance of the ruling Colorado Party and of President Julio Maria Sanguinetti is different. They seek to pacify the country through an a priori amnesty for the military personnel presumably involved in grave crimes against the individual, and we believe that this will not help the attainment of the desired aim.

On the contrary, the Broad Front believes that in this way the disagreements splitting Uruguayan society will be deepened. The amnesty, as the ruling party views it, was rejected by all the opposition political parties, and this is what we told the president of the republic at the time. Nevertheless, the executive power decided to go ahead with a plan which would accept impunity and arbitrary action.

It is not sufficient for human rights to be respected now and for people to pledge to respect them in the future. A society cannot be established on sound foundations if it accepts that those who violated human rights should go unpunished by the law.

[Palacios] Could a referendum be called to enable the Uruguayans to decide through the ballot box what the accused military personnel's future should be?

[Seregni] I do not believe that a solution can be found just now by means of this expedient envisaged by the constitution. It is a matter of setting in motion through the decision of all the political and social forces, which are the country's whole population, the most rapid procedure for meting out justice and for exposing at last the truth about what happened under the dictatorship.

Society must not remain immersed in an atmosphere which would inevitably lead us along paths which we Uruguayans do not wish to travel.

[Palacios] The government has accused the Left of provoking the confrontation by calling for saucopans to be beaten while military personnel were meeting to assess the situation, or by organizing, as the Broad Front did, a motorcade which went through the city of Montevideo distributing its literature.

[Seregni] This seems to me a mistaken criticism, since the facts demonstrate that it is the whole of society which demands that the deaths and disappearances be elucidated. Moreover, the Broad Front proposes not only a fairer society, but also a more participatory society. We fervently support the people peacefully demonstrating their democratic and pro-human rights vocation.

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BRIEFS

PRC DELEGATION VISITS CONGRESS--The International Relations Committees of the Senate and the Chamber of Deputies met today with members of the PRC Parliament, which is officially known as the National Popular Assembly of the People's Republic of China. The PRC delegation was headed by (Teng Tao), vice president of the Foreign Affairs Committee of the National Popular Assembly, who told Carve that the purpose of the visit is to promote closer ties with members of the Uruguayan Congress. [Text] [Montevideo Radio Carve in Spanish 0000 GMT 5 Sep 86 PY]

MALTESE PRESIDENT'S VISIT--Montevideo, 30 Aug (EFE)--Maltese President Agatha Barbara today arrived in Montevideo, the first leg of an official 20-day tour through Latin America which also includes Argentina, Brazil, Peru, Colombia, and Costa Rica. Barbara, who was met at Carrasco airport by acting Foreign Minister Alberto Rodriguez Nin, will make a private visit to the Punta del Este and Colonia. Official sources have announced that Barbara will start her official visit next Tuesday, meeting with Uruguayan President Julio Maria Sanguinetti and Vice President Enrique Tarigo. Later, the Maltese president will meet with Foreign Minister Enrique Iglesias, Supreme Court officials, and the Senate and Chamber of Deputies international affairs commissions. Montevideo intendant (mayor) Jorge Luis Elizalde will give President Barbara the keys of the city of Montevideo. Agatha Barbara will end her visit to Uruguay on 4 September and will then go to Buenos Aires. [Text] [Madrid EFE in Spanish 1855 GMT 30 Aug 86 PY]

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